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THE SPLIT IN THE AMERICAN TRADE UNION MOVEMENT

BY ALFRED BRAUNTHAL

ARE the issues that were involved in the split in the American trade union movement still at stake, or is the continuance of the split due to other factors than those that caused the break? The prospects for the American labor movement in the years to come apparently depend on the answer to this question. If the fundamental issue involved in the split was that of industrial unionism, and if there has since been no perceptible change in the position of the two parties toward this problem, prospects for the restoration of unity are but slim. If other factors, such as organizational inertia or personal power policy, are the only obstacles to reconciliation, prospects may be brighter in view of the increasing pressure from without in the direction of reunion.

I

The History of the Split

On the eve of the split conditions were ripe for a fundamental change in the set-up of trade union organization in this country. The question was only whether the change was to come as a "palace revolution" that would break the resistance to reorganization by deposing the old set of leaders, or as a split between two factions, or as a spontaneous uprising of the masses outside the existing organizations.

The personal or political differences that are in the foreground of public attention today did not play a conspicuous part in the critical situation of those days. The two leaders of the warring factions, close colleagues from the beginning of their union careers, had cooperated without any visible friction for many years. Other personal tensions may have been more pronounced,

but had never proved to be destructive. The only new figure that came into play shortly before the break was Sidney Hillman, president of the Amalgamated Clothing Workers which as late as 1933 was affiliated with the A.F.L. But the manpower behind Hillman was not yet very strong; his hour, the hour of the textile drive, was to come later.

In the political field there were at that period virtually no differences at all. The A.F.L. leadership still stood as solidly behind Roosevelt and the New Deal as did the circle around John L. Lewis. The fact that a few union leaders were in the Republican camp, such as William L. Hutcheson, president of the powerful Carpenters Union, affected the position of the A.F.L. as little as Lewis' allegiance to the Republicans had done in the La Follette campaign.

The only issue that really counted—but it was grave enough to shake the structure of American unionism to its foundations—was that of industrial vs. craft organization. This issue was by no means new. The problem of the structure and scope of union organization can be traced through the whole history of the A.F.L. This problem stood at the organization's cradle, symbolized in the fight for the name of its predecessor. At the Pittsburgh conference of 1881 the representatives of the Knights of Labor succeeded in having the name of the new organization extended from Federation of Organized Trade Unions to Federation of Organized Trade and Labor Unions; the addition was meant to indicate that unskilled labor was to be included in the scope of the new central body.

But what's in a name? The very *raison d'être* of the A.F.L. was the desire for a revolt of the craft unions against the vague and undetermined organizational principles of the Knights which threatened to dissolve the trade unions into a vast but economically inefficient organization. The social idea behind the formation of the A.F.L. was to protect the skilled trades from sinking to the level of "pauper labor"—for the latter read "new immigrant labor"—as the Philadelphia conference of 1886 expressly stated.

The formation of the A.F.L. was the first elementary reaction of skilled labor to the new and dangerous forces of industrialism which flooded this country with unheard-of vehemence and threatened to wipe out the social and economic position that skilled labor had managed to acquire in a century of hard and bitter struggles.

Still the A.F.L. was never thought of and never intended to be an exclusive organization of skilled labor that would leave unskilled labor permanently in the cold. At the same Philadelphia conference of 1886, where the formation of the A.F.L. was decided upon, the solidarity of all labor was proclaimed as one of the leading principles of the new organization. What was envisaged by experienced union leaders, such as Samuel Gompers, faced with the dilettantish universalism of the Knights of Labor, was the crystallization of the labor movement around the craft union nucleus which was already in existence and had proved its efficiency in dealing with restricted issues. What these leaders could not foresee was the vast dimensions that the process of industrialization was to assume in the next few decades, and the maelstrom of immigrants of the lowest social standard from all corners of the world that was to be attracted by this process. The impact of these new forces overtaxed the flexibility and efficiency of the original craft structure of the A.F.L.

It would be erroneous to assume that the Federation's attitude toward the new problems was merely passive, or even that the unions purposely withdrew from the battlefield and saved their members' souls by forming bottleneck monopolies of small groups of skilled workers. The A.F.L. did tackle the problem of organizing the unskilled, and did it repeatedly. The history of the A.F.L. is in a certain sense the history of efforts to solve this problem—to be sure, to a certain extent a tragic history of failures, from the outset until the tragic split.

The A.F.L., thrown into the vortex of the industrialization of this vast continent, had from its early youth to cope with two related problems that originated in its craft structure: the problem

of jurisdictional borderlines between the craft unions; and that of organizing the unskilled workers. For the handling of both problems it had a severe handicap, the lack of central power. The A.F.L., up to the time of the split, was a loose alliance of unions, with extremely small funds, a very restricted authority over its members and virtually no executive machinery. It was all but powerless against recalcitrant unions, and even the expulsion of rebellious unions was an ineffective weapon, as is shown by the history of the Amalgamated Clothing Workers and of a number of other unions.

The attempt to maintain old borderlines between craft unions in a world of industrial revolution was bound to be a source of never-ending jurisdictional conflicts between particular unions. Hundreds of jurisdictional disputes, many of them dragging on through decades, shook and weakened the structure of the A.F.L. A change in the organizational principles of the unions was imperative, or trade unionism would have broken down completely. Actually the change took place, although not very rationally and with many frictions. The structure of the A.F.L. unions at the threshold of the split differed considerably from that of the early youth of the A.F.L.

Several methods were tried out to solve the jurisdictional tangle. One was that of amalgamations. In many instances of jurisdictional conflicts the A.F.L. Council pressed for an amalgamation of the disputing parties, a solution that practically meant the formation of an industrial or semi-industrial union. The result was that at the time of the split about one fourth of the A.F.L. unions were amalgamations. But amalgamation meant generally only the absorption of small by large unions. The basic problem of the relationship between craft organizations and industrialism could not be solved by this method.

The same applies to another attempt to break through the jurisdictional borderlines of craft unions. This was the method of forming industrial "departments," each designed to become a superstructure over craft unions in one industry or group of in-

dustries. The shortcomings of this method of overcoming the craft lines were soon revealed. Not only did the development of departments stop with the organization of the Building Trade Department and the Metal Trade Department, but the new organizations were even more lacking in power and authority than the A.F.L. Council, and in the arbitration of jurisdictional disputes they worked virtually as subsidiary bureaus of the Council.

The main problem, however, that the A.F.L. had to face was not that of adjusting the existing craft organizations to the changing industrial structure of the economic system, but that of organizing workers in mass industries in which the craft element was negligible as compared with the hosts of unskilled labor. It was in facing this problem that the A.F.L. ultimately failed. Again it would be erroneous to assume that what was lacking was personal ability or readiness on the part of the A.F.L. leadership to tackle the problem. It must not be overlooked that industrial unions did develop and thrive in the pre-C.I.O. period, not only in minor and middle-sized industries, such as the brewery and hat industries, but also in a few mass industries, such as the coal mining, apparel and building industries.

For the most part the A.F.L. did not obstruct this development. It is true, however, that in some instances endless jurisdictional disputes or even mass revolts were required before industrial unionism was definitely established. While the United Mine Workers' jurisdiction over all engine-room employees—with which industrial unionism was established in that union—was recognized by the A.F.L. as early as 1905, and while no obstacles at all were laid in the way of welding skilled and unskilled garment workers into the Ladies' Garment Workers Union, it took years of jurisdictional conflicts and even a temporary suspension of the charter before the jurisdiction of the Brewery Workers Union over the engineers and firemen was recognized; and the Amalgamated Clothing Workers Union, the outcome of a revolt of the "new masses" against the old leadership of the Garment Workers Union, was refused an A.F.L. charter for two decades because the Garment

Workers Union held on paper the jurisdictional rights over the men's clothing industry.

The fact that in the coal mining and apparel field industrial mass organization of the later C.I.O. type could develop from the turn of the century, in the wake of the immigration wave and of elementary gigantic mass strikes, was due to the fortunate circumstance that the craft unions' claims over the skilled workers of those industries were comparatively ineffective. Coal mines are usually so geographically isolated from other industries that a rule established by the A.F.L. as far back as 1901 could be applied, according to which workers in isolated plants should be organized in the prevailing plant union, regardless of their craft. The industrial organization of the apparel industries was but little hampered by craft claims since there were no old-established craft unions in the field, apart from the men's tailors who actually stood outside of the Clothing Workers Union until 1936.

There remained, however, a broad group of basic industries in which the clash between craft and industrial principles thwarted all attempts at organization until the C.I.O. entered the scene. The most striking instances are those of the steel and automobile industries.

Unionism in the steel industry was older than the A.F.L. The largest union that participated in the formation of the A.F.L. was the Amalgamated Association of Iron, Steel and Tin Workers, the same union which, by accepting the campaign offer of the C.I.O. in the middle of 1936, opened for the latter the road to success. Organized as a craft union, the Amalgamated twice before the war attempted to establish a mass organization by huge strikes. Both times it was defeated by the then invincible economic and political power of the Carnegie organization. After the close of the war, at the peak of union power in America, the attempt was repeated on the gigantic scale of a strike of 300,000 workers, but it ended again in disaster, preluding the decline of unionism in the period of the culmination of industrial development in this country. The collapse of the steel campaign was indisputably due to a large ex-

tent to the shortcomings of craft unionism in mass industries. The 24 adjacent craft unions which organized the campaign were obviously not so much interested in building up an industrial organization that would deprive them of potential members in a basic industry as they were in dragging the skilled workers of the steel industry into their own organizations as soon as possible. Under these conditions no enthusiasm for a mass struggle could be aroused that would be capable of overcoming both the mutual jealousies of the "cooperating" unions and the "police power" of the steel companies.

Similarly ill-fated were the experiences in the automobile field. After the first automobile union had been expelled from the A.F.L. because of the union's refusal to surrender the skilled workers to craft unions, a new attempt was made to organize the automobile industry. This was undertaken in the prosperity period of the twenties, on the basis of an agreement between the adjacent craft unions; the latter were to waive temporarily their claims on the skilled workers, but later the skilled workers were to be transferred from federal locals to the craft unions. It was two years before the craft unions' resistance to such an arrangement was overcome, and the campaign itself, undertaken under these unfavorable auspices and with insufficient funds, led nowhere.

The failure of the A.F.L. to organize these and other mass industries could not but have disastrous effects on labor in the long run. In spite of all efforts to solve the craft-industrial problem, along both craft and industrial lines, by amalgamations, industrial departments and federal locals, the result was that in 1929, at the close of the most feverish period of industrial activity in the history of this country, the Federation's numerical and organizational development had not gone beyond the narrow scope of the prewar period. Union organization was still confined mainly to a restricted group of skilled and semi-skilled workers.

Thus labor was extremely ill organized not only for the depression but, even worse, for the New Deal period. The pillar on which the N.R.A. was supposed to rest turned out to be too weak.

Since labor failed, the N.R.A. machinery had to be based substantially on employers' organizations. Moreover, the large industrial concerns undertook successfully to fill the gaps in the organization of workers by the formation of company unions. There was also, to be sure, a large influx into the unions, but as the machinery for organizing them in industrial organizations was lacking, the newly acquired membership in those mass industries where there was no old-established industrial organization dwindled quickly to nothing.

Thus American labor at the threshold of the New Deal was confronted with a fateful alternative. Either it had to break through the confines of its traditional forms of organization and adapt them to the conditions of a new era, or it had to face the collapse of the greatest attempt ever undertaken to give labor its share in society by a complete transformation of America's economic, social and political life.

The final outcome in this critical situation hinged on the comparative strength of the two groups that fought for power within the A.F.L. One group, consisting mainly of craft unions, was opposed to any fundamental change in the principles of union organization, while the other group, led by industrial unions, insisted on a large-scale organization campaign in mass industries on the basis of industrial organization.

As we have seen, this struggle between the craft and industrial principles had been waged in the labor movement for over a generation. From the beginning labor's radical wing had been in the camp of industrial unionism, and powerful unions with an industrial structure, particularly the Mine Workers and the Ladies' Garment Workers, had pressed in the same direction for decades. The weight of these two unions was greatly diminished in the late twenties, however, as both of them were weakened by internal struggles with communist factions, and the Mine Workers also by the declining trend of their industry. But in 1933 the scene changed with one stroke; within a surprisingly short time the two unions advanced to the first ranks of organized labor, and

their weight was further strengthened by the admission to the A.F.L. of the strong and strictly industrial-minded Amalgamated Clothing Workers. If the seriousness of the political situation is also taken into account, characterized above as the choice between organization of the mass industries or defeat of labor's New Deal, it is but little wonder that the forces pressing for the transformation of American unionism had become too strong and too determined to be content with less than the strict application of the industrial principle in the organization of mass industries, holding this to be the only efficient way of conquering these industries for the unions.

In the other camp there was first of all the power of inertia, natural in old-established institutions. There was, furthermore, the sacred craft tradition of an organization that, in the restricted field where it had started, had proved to be efficient and unshakable for generations. There was the remembrance of the Federation's triumphs over all previous industrial union movements inspired by radical groups; and there were, by no means least, the vested interests of those unions which believed they had nothing to win but much to lose by waiving their jurisdictional claims in mass industries.

The resistance to the principle of industrial unionism in mass industries had also a political tinge, although not admittedly. It was intimated above that in this country industrial unionism has always contained something of left radicalism. This factor too accounts for the resistance to industrial unionism; it should not be confused, however, with the actual political situation in both camps at the outbreak of the hostilities. As I mentioned at the beginning, there were virtually no perceptible political differences within the A.F.L. in the period of the split, nor were there any significant differences in the general political philosophy concerning the relationship between labor and government.

Thus it can be said definitely that the explosive which shattered the unity of American unionism was exclusively the issue of the organizational structure of the A.F.L. But, as I have tried

to show, that issue was far-reaching enough to be fully capable of causing an explosion.

In comparison with the fundamental issues involved, the question as to which of the two players violated the rules of the game in the last stage of the conflict appears of minor importance, although for a time it was overstressed by the warring factions. Each party accused the other of being guilty of the split by violating the rules of democracy within the A.F.L. Formally both indictments are correct, but they are meaningless; for the rules of democracy are obviously inapplicable when an organization breaks apart.

II

Effects of the Split

Once a new union center was established that embarked upon the formation of unions in mass industries on an industrial basis, without recognizing any claims of craft unions, it became apparent that conditions were ripe for the triumph of unionism in mass industries. The fact that within one year the C.I.O. succeeded in organizing the steel industry and the automobile industry, where the A.F.L. had failed to do the job for forty and twenty years respectively, made a deep impression on labor and the general public, but it merely proved the correctness of the C.I.O. thesis that modern mass industries can be organized only on the basis of industrial organizations.

The steel and automobile industries have so far remained the chief pillars on which the *droit d'être* of the C.I.O. has rested. In the textile industry, by far the largest of the country and the third mass industry which the C.I.O. has attacked, the success has not as yet been comparable with that in the other two. In spite of numerous agreements with textile mills it seems safe to assume that the number of dues-paying members of the Textile Workers Organizing Committee constitutes still a comparatively small fraction of the industry. There are, to be sure, a few other industries where the success of the C.I.O. is indisputable, such as

the radio and rubber industries and the New York subway system. In nearly all instances, however, this success was an initial effect, caused by the sudden breakdown of artificial barriers that had hitherto hampered organization. As yet there has been hardly any further substantial expansion of the C.I.O. into new fields after the achievement of its initial effect, while, remarkably enough, the old A.F.L. has taken on a renewed vitality and has greatly profited from the wave of organization stimulated both by the initial success of the C.I.O. and by the pro-labor Administration.

At the first convention of the C.I.O., in November 1938, Sidney Hillman justified the continuance of the split with the declaration that two organizations are better than no organization at all. In this form the slogan is obviously groundless, as the new vitality of the A.F.L. has proved. It would have been at least open to discussion if Hillman had claimed that two efficient organizations are better than one inefficient one. Immediately after the split there were certainly two efficient organizations instead of one inefficient one, but it is highly questionable whether this situation exists any longer, for two reasons, the one lying in the "jurisdictional," the other in the political field.

The effect of the split in regard to jurisdictional problems is obvious. The C.I.O. owes its existence to a revolt against jurisdictional claims and conflicts that prevented the organization of mass industries; but it is quite clear that a dual organization of labor must in turn lead to a multiplication of jurisdictional frictions. True as it is that the old A.F.L. had but little authority for settling jurisdictional disputes, it nevertheless succeeded in its efforts in many instances. Now, with two rivaling union centers, jurisdictional conflicts between unions affiliated with different central bodies are insoluble not only in fact but even in principle. It should be added that in many instances the mere existence of the C.I.O. has encouraged splits in existing unions and the formation of dual unions, without even the excuse of applying the industrial as against the craft principle. This may have been an un-

avoidable consequence of the split. In any event the result has been a jurisdictional chaos in American unionism compared with which conditions in the old A.F.L. times were paradisaic.

As long as the issue was that of organizing mass industries against the resistance of craft unionism, the price of an increased jurisdictional tangle in other industries was worth paying. Today, after this first chapter of the development of the C.I.O. has apparently been closed, the question arises whether and for what end so high a price is still worth paying. In other words, is it still true that the two organizations, from a merely technical point of view, are more efficient than one unified organization would be? It seems that the history of the last year has given an unmistakable answer to this question.

The other factor that diminishes the efficiency of a system of dual unionism is of a political nature. The further progress of the C.I.O. has apparently been hampered by the odor of radicalism or "communist leaning" that clings to this organization. To a certain extent this development has been unavoidable. According to the old-established traditions of industrial unionism in this country, it was inevitable that in the fight of the two factions labor's left wing should stand from the outset on the side of the C.I.O. It was likewise inevitable that one or the other of the new C.I.O. unions would be shaken by a struggle for power of or between leftist factions. The same spectacle was witnessed in all large industrial organizations in their A.F.L. period, in the miners' union no less than in the apparel unions. It was hardly to be expected that the new mass organizations that happened to be organized by the C.I.O. would be able to skip this stage of development.

What was avoidable, however, and what appears less conceivable under the point of view of political opportuneness, is the fact that the leadership of the C.I.O. did not mind arousing the suspicion of being allied with the communist union wing, by giving charters to A.F.L. unions, such as the Fur Workers, the Office Workers and the Newspaper Guild, which were under

communist leadership and which seceded from the A.F.L. for no other reason but the political leaning of their leaders. These tactics, together with the sit-down strike, an adolescent stage in the development of the new mass industrial unions, have given substance to the political campaign against the C.I.O. which, it seems, has contributed much to the slowing-down of its progress.

Here again dual unionism has proved to be an obstacle to the further progress of labor organization. A united union organization can easily digest unions with radical leanings without being stamped as "communist" by public opinion, as the experience of decades has shown. But the split and the subsequent tactics of the C.I.O. have concentrated the charge of "communist" infection on one union center, with the effect that organizational work has been hampered in all industries where C.I.O. unions are virtually alone in the field.

III

Obstacles to Reconciliation

If to all these adverse effects of the conflict in labor's house we add the effects upon labor's moral and political position there can be no escape from the conclusion that the time has come when any profits which might still be expected from the existence of the C.I.O. as a separate body are more than canceled by the drawbacks of dual unionism. This fact in itself would not suffice, of course, to force a reconciliation of the warring factions if there were still irreconcilable differences between them. It appears therefore worth analyzing what obstacles still exist to the restoration of unity.

As to the craft-industrial issue itself, which was the cause of the split, the accessible sources do not permit of a complete account of the real position of the two parties. It is not exactly known to what extent the A.F.L. is ready to concede the application of the industrial principle, nor to what extent the C.I.O. demands its acceptance. In the agreement that was reached in the negotiations between the two at the end of 1937, and that was vetoed by John

L. Lewis, the A.F.L., according to its own official report, declared its willingness to recognize the accomplished fact of industrial organization in the steel, automobile and textile industries, and to "specify certain industries where the industrial form of organization would apply." On this point the C.I.O. representatives, according to the same report, demanded nothing more than what the A.F.L. was ready to concede, that is, an acceptance of the "industrial form of organization for certain specified industries." The wording of the report leaves it uncertain as to whether the negotiators on both sides had already unofficially agreed on the industries to be specified, or whether this question had been discussed at all. However this may be, the very fact that all C.I.O. representatives, including Hillman, were in agreement with the concessions made by the A.F.L. suggests that they had been convinced by the A.F.L. committee that the organization had substantially changed its attitude with respect to the issue of industrial organization.

Another outstanding fact that points in the same direction is that it is the Teamsters Union which in the last few months has moved into the forefront of the unity movement, alongside the Ladies' Garment Workers Union. One would have expected the Teamsters Union to be in the forefront of the opposition to industrial unionism, since "teamsters" form a craft group in most industries. One also remembers the bitter and protracted jurisdictional dispute between the Teamsters Union and the Brewery Workers Union, concerning jurisdiction over the teamsters employed by brewery companies. Nothing could be so significant for the change of attitude in the A.F.L. as the Tobin episode at its Houston convention.

Since the collapse of the 1937 negotiations, however, the C.I.O. has apparently increased the price for peace, at least as far as can be told from the tenor of its official utterances. The "unity report" to the first C.I.O. convention declares "with finality that there can be no compromise with its fundamental purpose and aim of organizing workers into powerful industrial unions," a

formula which Hillman interpreted at the convention as meaning that the principle of industrial organization should apply to all mass industries.

In spite of the bellicose tone of this declaration it can be doubted whether the differences between the A.F.L. and the C.I.O. on this issue are still so fundamental as to warrant the continuance of the split. There can be no doubt that the A.F.L.'s acceptance of the principle of industrial organization "in certain specified industries" refers to mass industries, and that Hillman's interpretation of the C.I.O. formula means in substance the same. It follows that, in spite of the wording of the C.I.O. formula, there not only may be, but must be a search for a compromise concerning the application, and the extent of application, of the industrial principle in particular industries if peace is to be restored in the labor movement. Nobody can devise any magic formula that would do away with the necessity of specifying separately, for each of the hundreds of industries and unions that actually exist, in which cases and to what extent the form of industrial organization shall apply. In other words, after an agreement on the principle of industrial organization in mass industries has been arrived at between the two parties—and that it has been reached can no longer be doubted—there is no other way of composing the question definitely but by comprehensive negotiations and "compromises" between the central bodies and all particular unions involved. Until these negotiations have been concluded nobody is entitled to claim that the positions of the two organizations with respect to the craft-industrial issue are irreconcilable.

If we assume—and it appears safe to assume—that the craft-industrial issue as such is no longer the decisive obstacle to reconciliation, what differences remain that are momentous enough to make for the continuance of a split which the entire labor movement, in rare unanimity, deplores? According to the official position taken by the two parties there is only one difference which has so far proved to be irreconcilable, at least as far as John L. Lewis personally is concerned. But this difference is by no means

a fundamental one. In the 1937 negotiations between the two organizations the C.I.O. representatives demanded originally that all C.I.O. unions be admitted to the A.F.L. lock, stock and barrel, with all rights and privileges that other organizations affiliated with the A.F.L. enjoy. The A.F.L. proposed, on the other hand, that only the suspended organizations, including those of steel, automobile and textile workers, and those which had withdrawn from the A.F.L., be unconditionally admitted, while the jurisdictional problems arising from the existence of the new C.I.O. unions be settled by joint conferences for each industry separately. It was this difference, the A.F.L. report declares, that caused the collapse of the negotiations; after the C.I.O. negotiators had agreed to the Federation's proposal Lewis resumed the original demand for unconditional admission of all C.I.O. unions, whereupon the negotiations broke down. In the meantime Lewis' personal view seems to have become the official C.I.O. position.

The unity report to the C.I.O. convention declares, as the second condition for reconciliation, that there can be no compromise with the C.I.O.'s "obligation to fully protect the rights and interests of all its members and affiliated organizations." That this—in itself rather vague—condition cannot be construed differently from the original C.I.O. condition at the 1937 negotiations is to be deduced from the report to the Washington conference of the Ladies' Garment Workers Union in November 1938, in which it was stated that representatives of that organization in unofficial negotiations had been unable to prevail upon Lewis to give up his demand that all new C.I.O. unions be unconditionally admitted to the A.F.L.

It is rather hard to look through the motives behind the position of the C.I.O. on this question. From a purely organizational point of view this position is all but inconceivable. Many of the new C.I.O. unions—as well as, in the other camp, a few unions and federal locals chartered by the A.F.L. since the split—are outspokenly dual organizations. The demand that the A.F.L. charter outright dual organizations, and leave it to jurisdictional fights

between the newly and the previously chartered unions to cope with the state of affairs thus created, amounts to the perpetuation of the worst jurisdictional chaos. Organizational logic requires unquestionably that the final reunion of the two organizations should not precede but follow the settlement, by negotiations, of all major jurisdictional problems involved.

Why, then, does the C.I.O. insist upon the opposite procedure? Resistance of the new C.I.O. unions to a rational solution of the problem cannot be a decisive factor. Most of the C.I.O. organizations that would be affected by charter negotiations are very small, and even the combined pressure of all of them on the leadership of the C.I.O. could hardly be considerable, especially since the C.I.O. constitution adopted by the convention has definitely sanctioned and perpetuated the commanding position of the "big four" (mine, automobile, steel and clothing workers).

Hence there are scarcely any imaginable motives behind the position of the C.I.O. except sentimental and personal ones, factors that are always acting as a retarding force or even as a stumbling block when amalgamations of organizations are desirable on rational grounds. It is conceivable that the personal factor has particularly great weight in this case, where a whole group of dual unions has sprung up as the result partly of old feuds and partly of inefficiencies on the part of the legitimate administrations. But, to stress it again, this officially admitted obstacle to reconciliation can by no means be recognized as fundamental.

Are there any other obstacles recognizable, even if not officially admitted? One complex of apparent conflicts between the A.F.L. and the C.I.O. that looms large in the eyes of the public lies in the political field. What has caught public attention is the fact that in a few instances of labor legislation the two organizations have taken different positions on particular points, have sometimes lobbied against each other, and in a few instances in the 1938 primaries and elections have endorsed different candidates. What has been less sensational, and has therefore more or less escaped the attention of the public, is the fact that in by far the

greatest number of cases the same position has been taken on matters of social legislation and the same candidates have been endorsed by both union centers.

As far as the unions' endorsement of candidates to public offices is concerned, it is more significant that local unions and union groups disobey advice given by the central organization, as has been traditional in the A.F.L., than that the two central bodies endorse different candidates. At the 1938 elections in Pennsylvania the State Federation of Labor endorsed the same candidate as the C.I.O., while the A.F.L. supported the Republican nominee. In Ohio both the A.F.L. and the C.I.O. endorsed the Democratic nominee—William Green even by a personal letter—while the Republican nominee was elected with the open support of a powerful group of Ohio union officers.

As long as the house of labor is divided, political intrigues of the two labor camps against each other are all but unavoidable. What really matters, however, is whether there are any fundamental differences in political philosophy between the warring union centers. Here a change has to be taken into account that has occurred in the last few years. The original political philosophy of the A.F.L., conceived by and represented in the person of Samuel Gompers, was that there should be no interference by the government in any matters affecting labor and that labor should follow a non-partisan policy. But the non-interference of the government was never conceived by the A.F.L. in accordance with the tenets of extreme liberalism, as represented, for instance, by Mises; and the non-partisan policy was never understood as a policy of absolute abstention, but only as an abstention from any attempts to embark upon a third party policy. It was a conscious partisan policy inasmuch as its supreme principle was the endorsement of all candidates, regardless of official party allegiance, who were believed to be friendly to labor.

This policy of relative aloofness from government and policy came virtually to an end in the depression, when government interference in matters affecting labor became imperative. Since that

time the relationship between labor and government has become substantially the same as in all other democratic countries. It is labor's aim to have the government interfere in industrial relations in favor of and for the protection of labor, with the only restriction that the interference must stop where it would make union activity superfluous, for instance by compulsory arbitration or by a too graduated scale of minimum wages.

A study of the position toward legislative problems taken by central and state bodies of the A.F.L. and the C.I.O. reveals that this political philosophy has been followed in both camps without any fundamental distinction. It is true that the A.F.L. leadership is generally less enthusiastic about and more critical toward the Roosevelt policy and especially the Roosevelt administration; but this attitude can be traced almost entirely to a certain resentment over an actual or alleged C.I.O. leaning of "Washington." Particularly the Federation's criticism of the National Labor Relations Act and its administration centers exclusively around problems that have been created by the split and would automatically disappear with the restoration of unity. It is further true that the A.F.L. leadership after the secession of the C.I.O. wavered for a time in its political philosophy; an influential leader group seemed inclined to return to the old Gompers philosophy. But this tendency, never officially endorsed by the A.F.L., suffered a crushing defeat at its 1938 convention.

Nor can it be maintained that the question of participation in the party system has erected a fundamental barrier between the two organizations. In the field of party policy the post-depression change in political philosophy has had the consequence that labor has virtually allied itself with the Democratic party, with those well known exceptions where groups that are more New-Deal-minded than the official party machine are opposed to official Democratic nominees (La Guardia in New York City, the Labor-Farmer party in Minnesota, Progressives in Wisconsin). No difference in principle between the A.F.L. and the C.I.O. is discernible on this point. Neither the formation of labor's Non-Partisan

League nor that of the New York Labor Party has, at least as yet, effected any change in the picture. Both organizations, although decried by the A.F.L. leadership as "C.I.O. tools," are as a matter of practice only technical devices for making more effective the old Gompers maxim of "rewarding labor's friends and punishing labor's enemies." What would happen if the Democratic convention of 1940 should nominate a conservative candidate, nobody can foresee. In a similar situation in 1924 the A.F.L. endorsed a third party candidate. Whether the A.F.L. would be willing to repeat the experiment is a question for itself. In any event, the remote possibility of deeper-reaching political differences in 1940 could not justify a split at the present moment.

The result of this analysis is that, as far as can be ascertained from without, there are no longer any fundamental differences between the A.F.L. and the C.I.O. that would warrant the continuance of the split. Why, then, is a serious attempt at reconciliation not yet under way, after all that labor and the general public have had to suffer from the discord? A rational answer to this question can hardly be given, unless the inertia of existing organizations and personal and sentimental factors be considered rational. That these factors have become crucial has been shown above in discussing the issue of the new C.I.O. unions.

For those sociologists who think in terms of power, for whom power is a sufficient explanation of social organization, another line of reasoning may be open. They may assume that what the C.I.O. leaders are really aiming at is leadership in the reunited body. Under the provisions of the A.F.L. constitution, which bases voting power in the conventions on the number of paid-up members, the votes of the C.I.O.—whose membership figures include an indefinite but doubtless very high number of non-dues-paying members—would obviously not yet suffice to conquer power in a reunited organization. The leaders of the C.I.O. may hope, however, that the time factor is favorable to their purposes, for two reasons. First, it is to be assumed that the C.I.O. has suf-

ferred more from the economic recession of the last year than the A.F.L., since many C.I.O. unions are young and but little consolidated, and since the steel and automobile industries are more susceptible to business fluctuations than most other industries. An industrial recovery may therefore change the numerical proportions between the A.F.L. and the C.I.O. in favor of the latter organization. Second, the C.I.O. leaders may hope that a larger field of organization is open to them than to the A.F.L.

If this assumption as to the aims and hopes of the C.I.O. leaders is correct, their attitude would appear rational from the point of view of power policy. Such an assumption, however, opens rather disagreeable perspectives, not only because it postpones indefinitely the C.I.O.'s readiness for reconciliation, but also because it suggests the analogous assumption that at the moment the C.I.O. becomes ready for reconciliation it would be the turn of A.F.L. leadership to spurn it, for the same reason that the C.I.O. leadership is opposed to it at present.

Thus from the point of view of power policy a reconciliation of the warring factions can hardly be expected unless factors come into play that force reunion against the will of the leadership of one or the other organization. Under present conditions such pressure may come either from the rank and file of organized labor that has to bear the brunt of the factional fight, or from the present Administration which does not like the prospect of a presidential campaign under the cloud of continued division in the ranks of labor. Nobody can foresee whether this combined pressure would prove sufficient, but the prospects for final success are certainly more favorable if the conclusion is valid that there are no longer any fundamental issues involved in the conflict.

(New York City)

GERMANY'S TRADE MONOPOLY IN EASTERN EUROPE

BY MARK MITNITZKY

I

THE overwhelming victory won by Germany in the conflict over the Sudeten Germans will produce far-reaching effects upon European economy. First of all, the Third Reich has gained a great industrial district which never before belonged to the domain of German national economy. Secondly, it has won a free hand for carrying out the aims of its commercial policy in the southeastern part of the continent. Of the two achievements the second is economically the more important.

The acquisition of the Sudeten German industrial district and the indirect control which Germany now exercises over the entire Czech industry are likely to prove a greater addition to the power of the Hitler state than *Anschluss* of Austria. With the Skoda works under its guns, Germany now dominates the arsenal of the one-time Little Entente and one of the greatest armament works of the world. The territory newly acquired by the Third Reich has brought to it several hundred thousand industrial workers, who in the present condition of labor shortage in Germany may be of very material service. Acquisition of the German-speaking Sudeten country has enabled Germany to increase substantially the capacity of certain branches of her industry, in which in recent years production has lagged behind demand. This holds especially for the metal industry, which employs 190,000 of the more than 700,000 industrial workers of the Sudeten territory. An important and immediately utilizable acquisition are the lumber industry and forests of Bohemia, which will contribute toward easing the shortage of timber and wood-pulp in the German *Ersatz* economy.

For the rest, Sudeten industry represents no great gain for the needs of the German market. Two thirds of the industrial products of the Sudeten territory are consumers' goods, and Germany is less concerned with raising the standard of living of her population or the satisfaction of luxury demands than with curing her shortage of raw materials, covering her foodstuff deficiencies and meeting the continuing armament needs. None of these necessities is met by the occupation of the Sudeten country; on the contrary, the lack of balance in the German economy is intensified by its incorporation.

TABLE I
NUMBER OF WORKERS IN VARIOUS BRANCHES
OF SUDETEN INDUSTRY, 1930
(In Thousands)

Mining	42.3
Porcelain	59.2
Glass	42.3
Metals and Engineering	89.2
Chemicals	12.2
Textiles	191.6
Paper and Pulp	18.8
Graphic Arts	7.5
Leather	6.6
Lumber	50.7
Foodstuffs	59.2
Clothing	62.9
Construction	76.1
Public Utilities	6.6
<i>Total</i>	<hr/> 724.9

Table I offers an approximate survey of the distribution of Sudeten workers in the different branches of industry. Most important is the textile industry, which is in none too good condition; nor indeed is that of Germany, depressed by its dependence on foreign cotton and wool.

The manufacture of porcelain, jewelry, glass and musical in-

struments also plays a considerable role. All these branches of production must work for export, mostly to distant markets, and it may be presumed that the new stamp "Made in Germany" will offer no advantages for unloading their wares.¹ All signs indicate, moreover, that these specialized industries, likely to lose at least in part their expert managements, have not been prosperous for some years past. It was indeed in Germany that again and again one heard references to the high percentage of unemployment in Bohemian industry, amounting in the favorable year 1937 to 30 per cent of all workers. Unemployment will now disappear as quickly in the Sudeten country as it did in Austria after *Anschluss*, where the official statistics represent it as reduced to one sixth of its former volume. The improvement in Austria was due, however, not to a recovery in industrial production in general, but to a shift of workers to other fields directly or indirectly connected with Germany's mighty armament activities in the summer of 1938.

In its economic implications the incorporation of the Sudeten territory offers numerous points of correspondence with the acquisition of Austria. As to comparative magnitude, for example, the Berlin Institute for Business Research estimates the gross production of the Sudeten region at the same figure as that of Austrian industry, that is, about 4 billion marks annually.² This equals approximately one eighteenth of the gross value of the German industrial output. Both Austria and the Sudeten district have only one raw material in which Germany is notably deficient: lumber. Neither country produces enough food to cover its own requirements, a circumstance which increases Germany's deficit in foodstuffs. Moreover, Bohemia, like Austria, is highly industrialized, second in this respect only to Belgium and England. In the Sudeten country 45.4 per cent of the total number of employed are in industry as against only 40.6 per cent in Ger-

¹ It has been estimated that in the Sudeten textile industry exports amount to 55 per cent, in the glass and porcelain industries to almost 90 per cent.

² Institut für Konjunktürforschung, Berlin, *Wochenberichte* (October 6, 1938).

many. Thus the industrial top-heaviness of Germany is now intensified.

Consequently there can be no doubt that the only important immediate economic advantage resulting from the enlargement of Germany's borders will be the increase in the supply of labor. Apart from that the Sudeten territory will represent, like Austria, another minus item in the economic balance sheet of Germany. Since political considerations call for rapid recovery measures in the area which "came home" to Greater Germany, the costs of pump priming are likely to increase the burdens of the Reich's finances. Therefore the achievement of complete economic hegemony in southeastern Europe as a by-product of the Sudeten victory becomes all the more important. This latter accomplishment is only the last step toward a goal at which German policy has been aiming for some years. Half a year ago the "Drive to the East" appeared endangered by the common efforts of Great Britain and France, after the political surrender of Vienna, to prevent an economic conquest of Bucharest, Belgrade, Budapest, Sofia and Athens. The diplomatic retreat of the western powers from southeastern Europe has now withdrawn the last line of defense which existed against the German economic drive in this region.

II

A good deal has been written about Germany's economic penetration of eastern Europe. The essays and papers that have appeared on this subject in recent years have dealt with the matter from two quite divergent points of view, which, however, do not cover it completely. On the one hand we find good accounts of the "tricks" of the German government, on the other discussions of the subject from purely political angles. It is worth while, however, to inquire into the economic significance of Germany's rapidly growing exports to southeastern Europe, to examine the resulting real balance sheet for both parties, and to trace the effects of the new development on the economic structure of the

respective countries. This will be the more profitable inasmuch as there is involved a quite unique technical form of foreign trade, which undoubtedly deserves attention.

At first glance it would seem that Germany has a most favorable opportunity for summarily settling the economic problems of central Europe, a region which has been the source of trouble enough to European diplomacy ever since Versailles and the minor treaties of Trianon and Saint-Germain. The countries of central Europe were never able to overcome the economic shortsightedness of the peace documents, which in part had called them into being.

Before the war these countries were constituents of the great economic body organized under the Hapsburg monarchy, which reached from Switzerland to the Balkans. In 1919 this domain was split into a number of either industrial states (Austria, Czechoslovakia) or agrarian states (Roumania, Yugoslavia, Hungary). The newly created states made no attempt to preserve the old transterritorial trade relations which might have smoothed out the differences in their economic structures. They pursued, in the economic field too, policies dictated by extremist national ambitions. This meant narrow protectionism for the agriculture of Austria and Czechoslovakia, and in the agrarian countries the spoon-feeding of new industries behind tariff walls. Obviously this attempt to carry on in defiance of the historically and naturally given situation had ultimately to lead to the impoverishment of southeastern Europe, to a chronic crisis of the Austrian and Czechoslovakian industries and to marked overproduction in Roumanian, Hungarian and Yugoslavian agriculture.

A new configuration developed after the Munich accord. Instead of there being a balance between industry and agriculture on the territory of the old monarchy, the group of small agrarian states is now face to face with an industrial power the like of which Europe has not yet known. The major part of the industry of the one-time Hapsburg state is now in the possession of Germany, who through her dominant diplomatic position in Prague

is master also of what industries have remained to shrunken Czechoslovakia.¹ Furthermore, the thrust toward the east which has been carried on in recent years has given Germany a preponderant position in the small agrarian countries. A mighty industrial agglomeration is thus opposed to a disunited agrarian region. The two economic provinces have long maintained close commercial relations, a cooperation which political antagonism had previously prevented the small individual states from attaining. The new situation offers the ideal precondition for a thoroughgoing and fruitful settlement of the economic difficulties of southeastern Europe. Nonetheless it is not very likely that this opportunity will be made use of for bettering the living conditions of the populations concerned.

In order to justify this contention it is necessary to review the history of the growth in Germany's trade with southeastern Europe. Table II offers a survey of developments in the last nine years.

TABLE II
GERMANY'S TRADE WITH FIVE SOUTHEASTERN
AGRICULTURAL COUNTRIES¹
(In Percentage of Her Total Foreign Trade)

	<i>Imports</i>	<i>Exports</i>
1929	3.8	4.3
1931	4.7	3.7
1935	7.7	5.9
1936	9.2	7.9
1937	10.5	9.4

¹ Roumania, Yugoslavia, Hungary, Greece, Bulgaria.

It will be seen that the relative weight of this territory in Germany's foreign trade has nearly tripled in recent years. The most recent developments are even more evident in Table III, which reveals not only that an increasing percentage of Germany's ex-

¹ Approximately three quarters of the industrial equipment of the Hapsburg monarchy went to Czechoslovakia after the war and by far the greatest part of these factories were situated in the Sudeten territory.

TABLE III
INCREASE IN THE VALUE OF TOTAL GERMAN EXPORTS
AND OF GERMAN EXPORTS TO FIVE SOUTHEASTERN
EUROPEAN COUNTRIES

(In Percentage of Value in the Same Period
of Preceding Year)

	<i>Total Exports</i>	<i>Exports to S.E. Europe</i>
2nd quarter 1936	11.3	46.8
3rd " 1936	10.6	41.9
4th " 1936	8.5	38.0
1st " 1937	13.3	23.3
2nd " 1937	29.2	44.4
3rd " 1937	28.8	64.7
4th " 1937	24.4	55.8
1st " 1938	5.8	26.8

ports has been going to southeastern Europe, but also that there has been an acceleration in the rate of increase.

Germany's part in the foreign trade of these small agrarian states has been substantially enlarged by the incorporation of Austria, and will be further strengthened by the occupation of the Sudeten territory. The implications which this successful drive to the east will have for the economy of southeastern Europe are impressively evident from the fact that in 1937 Germany, inclusive of Austria, took, in round figures, one half of the Bulgarian, two fifths of the Hungarian,¹ one third each of the Yugoslavian and Greek, and more than one quarter of the Roumanian exports. Since no other customer for the exports of southeastern Europe is in a position even comparable to that of Germany, and since a further growth of Germany's influence is inevitable after the crisis of last September, Germany's domination of the southeastern economy can now no longer be called in question.

Much in these developments appears to be natural, and what is economically natural is usually also economically advantageous.

¹ In the second quarter of 1937 the share of Germany in Hungarian exports reached 45 per cent.

A great industrial country and a neighboring complex of small agrarian countries suffered alike a crisis in their trade balances, one in consequence of its forced high-tension rate of production stimulated by inflationary methods, the other as the result of an inappropriate delimitation of frontiers and false commercial and credit policies. This rendered it impossible to maintain their foreign trade in a normal way. After the withdrawal of excessive foreign loans both Germany and her small neighbors were deprived of all but scanty remainders of their gold holdings, and found themselves compelled to introduce exchange control. They complement each other economically; is it then not almost self-evident that their interchange of goods, promoted by clearing agreements, is bound to grow?

III

These considerations might lead us to conclude that the rapidly growing trade between Germany and southeastern Europe must yield profit to both parties. The form that this trade takes should caution us, however, against judging prematurely. The agreements concluded by Germany with the various Danubian and Balkan countries differ in particulars, but are quite uniform in providing for the payment of respective imports not in cash but on account. This technique tends to isolate each party to some degree from the rest of world trade. If a country cannot command the needed international instruments of payment, and is therefore prevented from allocating its imports according to the purely economic test of the relative best, that is, cheapest buying market, it will find itself forced to buy preferably in the country where it finds the technical facilities for buying, that is to say, from a clearing partner.¹ This is the first reason for caution in evaluating

¹ In one of the few comprehensive studies of the nature of clearing agreements, the League of Nations has put forward the contention that, for the reason mentioned, barter is bound to lead to a passive trade balance between a country with foreign exchange control and a country which preserves freedom of exchange (*Enquête sur les accords de clearing*, Geneva, 1935). As recent experience demonstrates, this view appears to be valid only in certain circumstances.

a rise in the exchange of goods accomplished by means of clearing arrangements.

But this fact alone would not justify the suspicion that the impressively rising figures of exports and imports might be hiding real economic results of much more modest proportions, or even economic impairments. While it is true that a shift in foreign trade brought about by clearing procedures represents a regression in foreign trade as such, it may be held that when the collapse of currencies renders free choice impossible, it will be more profitable to trade goods with a clearing partner than to renounce both export and the coverage of import needs. Nevertheless, even this restricted merit of the clearing system becomes doubtful when either economic or political conditions are of such a nature that all the burdens of the new artificial change of direction fall on only one of the two partners in the trade.

This may happen in several situations: first, when the real value received in goods from the clearing partner is low, that is, when the "real barter terms" deteriorate; second, when an increase in exports to the clearing partner results in a restriction in the home consumption of export goods, unjustified in relation to real value received in goods imported; third, when the unfavorable "real barter terms"—the relatively high purchasing power of the dominant partner's exports for the minor partner's export goods—induces unfair competition by the dominant partner in the other's home market; fourth, when exports to countries offering better real exchange conditions are restricted.

Any or all of these situations may occur in a clearing system. They are promoted by two facts: the inevitable obliteration of any measure of comparison with free foreign markets; and pressure, partly economic, partly political, which the superior partner in a clearing agreement may be able to exert and use for the maintenance or even the increase of the exchange of goods against the will of the weaker partner.

Let us see, now, how these theoretical possibilities work out practically in Germany's trade with southeastern Europe. In try-

ing to evaluate the new prosperity of that trade the first issue that arises involves a question suggested above. Do we in fact find an artificial diversion of foreign trade from the natural channels which it followed formerly when foreign exchange was free, or is it only that trade within the clearing domain is maintained at its normal level, through the artificial instrumentality of settlement in account, with a concomitant decline in the total foreign trade of the countries concerned?

No exact answer to this question is possible, but the figures available make it appear probable that an artificial shift has actually taken place. The national income both of Germany and of southeastern Europe—ignoring the arms industry—is considerably lower than it was before the great depression, and the volume of trade between them ought to be correspondingly less. We have seen, however, that Germany's trade with southeastern Europe has risen greatly in proportion to her total foreign trade, and Table IV shows that it has risen also in absolute figures. It has been estimated by reliable German sources that at the same time Germany's total imports have declined from one fourth of her total supply of goods to one eleventh.

TABLE IV
GERMANY'S TRADE WITH SOUTHEASTERN
EUROPEAN COUNTRIES
(In Millions of Marks)

	<i>Exports</i>	<i>Imports</i>	<i>Balance</i>
1928	540.8	471.5	+69.3
1929	585.0	516.1	+68.9
1932	199.2	233.7	-34.5
1935	252.6	319.1	-66.5
1936	374.9	386.9	-12.0
1937	555.7	574.0	-18.3

The nominal values of this trade with the southeast have once more reached the levels of the years 1928-29, while the most important exports of the agrarian countries have in the meantime declined about one third in price. Thus the trade between Ger-

many and southeastern Europe shows marked inflation as compared with the period before the depression, and this fact is enough to justify the assumption that the natural distribution of exports and imports has been abandoned, a situation which is likely to involve a loss in productivity.

The special conditions of this barter make it sure that the burdens of the artificial shift shall not bear equally on both parties. One important difference between clearing trade and unrestricted trade is that the purely commercial relations are pronouncedly modified by government interference. To begin with, the practice of running foreign trade without cash payment presupposes that exports and imports will be strictly equivalent. In order to achieve such a balance it is constantly necessary to impose quotas for the several lines of merchandise. When this is done, however, it follows that in the two countries there are no longer individual firms which deal with one another, but groups of importers and exporters who have first the quotas and then even the prices prescribed for them by their governments. In the last analysis commerce is carried on not between businessmen but between governments. As a matter of fact, prices and the composition of exports constitute an everlasting topic of government negotiations.

The most important agricultural products are being exported to Germany by more or less rigidly organized trading syndicates or producers' associations, which are under government control. On the German side government control over imports is complete; most imports are handled as a rule by a government organization. In regard to exports from Germany unitarian consolidation is on both sides less perfectly established; nonetheless this part of the trade is also powerfully influenced by the government. Thus on both sides the trading system soon leads to a condition equivalent to a foreign trade monopoly. When two monopolies stand face to face, however, the ratio of exchange is naturally indeterminate. In the fixing of prices economic facts are replaced by the relative governmental bargaining power. In

these negotiations Germany is the dominant, latterly the all-powerful, party. Her influence is strengthened by the fact that she faces a group of states involved in political conflicts, for the curing of which they look to Germany. The distribution of economic power resembles that of political power. This is clearly evident from Table v.

TABLE V

EXPORTS OF SOUTHEASTERN EUROPEAN COUNTRIES TO GERMANY, 1937

	<i>In Percentage of Total German Imports</i>	<i>In Percentage of Total Exports of Respective Countries</i>
Bulgaria	1	47
Greece	1	32
Hungary	3	41
Yugoslavia	3	35
Roumania	4	27

Whereas one third or more of the foreign trade of these small countries is with Germany, each of them, taken by itself, plays a very subordinate if not insignificant role within the whole of German imports. Germany is thus in a position always to play off the offers of one country against another one and, in case her demands are not met, to impose sanctions in the form of a differential preference granted to a neighboring country. The underlying conditions of this German trade with the southeastern countries differ little from the market position of the company stores in nineteenth century England. These stores offered the factory worker his only chance of buying anything in the town in which he lived; their customers were employed by the company, lived in company dwellings, were perhaps subject to the company's police power and, for good measure, were even in debt to the store.

With regard to the last point there is indeed a curious difference that has been widely commented upon. As is well known, Germany is not the creditor but the debtor of the agrarian countries, and it is this passive balance, apparent in Table iv, which

has so greatly strengthened her bargaining position. In a clearing procedure, since the several trading processes are not automatically regulated by cash payments, if a perfect balancing of imports and exports cannot be attained, the two partners are mutually bound for long terms. The endeavors to reach a balance have led, as shown above, to the development on both sides of rules and restrictions in foreign trade which further increase the influence of the more powerful party. When a complete balance is not reached, as is the rule, the creditor country finds itself compelled to continue the business once begun, if it is not to renounce any hope for a settlement of its claims.

As was also indicated in Table IV, Germany's import excess has been much lower in the last two years. Two different reasons account for this. On the one hand, the southeastern countries, after their initial enthusiasm over their growing exports to Germany, have been offering a measure of resistance to the latter's demands. On the other hand, in view of England's dangerous activity in the Balkans, the Berlin government has found itself forced to become more accommodating toward its trade partners. In this period belong the negotiations of the Reich's Minister of Economics concerning German merchandise credits; these, however, have been granted only to independent countries, such as Poland and Turkey, and have been financed in part by the frozen balances which the exporters of those countries had in Germany. It is unlikely that the chronic passive balance of Germany's trade with the southeast will disappear in the course of time. This passive balance is too deeply founded in the general German goods shortage, which compels her to buy as much as possible on credit and, on the other hand, makes it impossible for her to pay for her imports in goods.

IV

Germany's inability to reach a high enough volume of exports in the world market is the ultimate reason for her expansion of her trade with southeastern Europe. This expansion has become pos-

sible because Germany can there effect a particularly profitable barter. The contention that it is Germany's power position which helps her to shift the whole burden of an artificial dislocation in foreign trade to the shoulders of her partners is not susceptible of statistical demonstration. The contention may be justified, however, by an indirect argument which at the same time explains why direct proof is not possible. The question may be put in this way: why have the governments of southeastern Europe accepted in recent years an exchange so unfavorable to them? The reason lies in a factor mentioned above as characteristic of this clearing system, the tendency to obliterate the real values in foreign trade.

This process begins with the fixing of the rate of foreign exchange, a step that is essential to any clearing agreement. Germany constantly strives to impose a high mark rate, for reasons which may be made clear from an example.

In the arrangement with Hungary the mark has been fixed at an 18 per cent premium on the old gold parity of the two currencies. It would follow therefrom that Hungary's monetary unit, the pengo, has been devalued to a greater extent than the mark. As a matter of fact the pengo has been devalued 33 per cent in terms of the free currencies. The devaluation of the mark cannot be stated with precision since there are in existence a number of different marks at different rates, depending on the utility of a given mark rate in Germany. Such of these credits as may be used for the free purchase of goods in Germany are now worth approximately one third of the gold mark. As against the pengo devaluation by one third we thus have a devaluation of the mark by two thirds, from which it ought to follow that the pengo-mark rate would be much less favorable to the mark than it was formerly, instead of the actually existing premium in favor of the mark.

The present situation therefore means an overvaluation of the mark by about 100 per cent. If the free rate of mark credits available for the purchase of goods in Germany be taken as a measure of the mark's purchasing power from the point of view of the foreign buyer, then the present exchange rate means that for a

given piece of merchandise bought by Germany for the Hungarian equivalent of the price of this merchandise in the world market, Hungary receives only half as many marks as would correspond to the real value of that merchandise if exported elsewhere. In other words, in exchange for her exports to Germany, Hungary receives only half as much goods as she would receive in a free market at the free market price.

These figures are intended merely to characterize the general tendency; the actual results are subject to the influence of numerous details. The high mark rate is an instrument of deception, since it presents a devaluation of the eastern European currencies as against the mark and makes the yield to the exporters of southeastern countries in terms of their own currencies appear correspondingly high.

This also suggests the political explanation for the existence of so onesided a distribution of advantages. In all the states of the Danube basin agriculture is the suffering sector, and in most of these countries it is at the same time the one having most political influence. Trade with Germany offers a possibility of an artificial redistribution of the national income in favor of agriculture, and naturally the artificially screwed-up yields of exports to Germany are enthusiastically acclaimed by the agrarians.

Apart from this there are several other circumstances which account for the readiness of southeastern Europe to stand for a bad bargain:

First, since the closing-in of the world depression and the introduction of foreign exchange controls the economic policy of every one of the countries of southeastern Europe has been directed toward the aim of saving free foreign exchange, at all hazards, in making purchases abroad. Imports from clearing countries were welcomed, even when admittedly very dear, because they helped, really or supposedly, toward paying out fewer pounds or dollars. That the indirect results of such expensive imports would be very unfavorable was not generally recognized.

Second, any detailed comparison of the real yields of southeast

exports to Germany with those to free markets is very difficult, chiefly because of the different composition of the relevant import trades. Germany acts as purveyor of numerous synthetic half-finished goods, and the evaluation of, say, German artificial fiber as against real wool or cotton involves so many qualitative considerations that only a high degree of objectivity could competently pass on how a given export of wheat in exchange for such artificial wool compares with an equivalent export in exchange for real wool. In face of the political restraints, internal and external, such objectivity is very hard to attain.

Third, the most important export goods of southeast Europe to Germany are raw materials, chiefly agricultural bulk goods. In these there is little elasticity in supply, since the volume of production barely reacts to price fluctuations. This circumstance has led to the widely prevalent idea that goods which are produced anyway may as well be exported even if their real yield is not altogether satisfactory. What is overlooked is that such exports mean an increase in prices in the home market, and thus saddle the native consumer with an added burden. Moreover, the political structure of the states of southeast Europe is such that the urban populations are politically the feeblest and the least able to push their claims. It should be noted in this connection that the forced exports to Germany have resulted in price increases amounting in some of these countries to 20 to 30 per cent of the cost of living.

Fourth, in the beginnings of the new trade with Germany the governments of the Danubian and Balkan countries sought to differentiate between goods readily exportable in exchange for dollars or pounds and others lacking such available markets. For some years it was possible to maintain with a measure of success the maxim that only goods coming under the latter category should be shipped to Germany. As a result, however, of the recent growth in Germany's power, political and economic, more and more grains and other world market products are being exported to Germany, in obedience to her demands.

Among the possibilities for dislocating the exchange relations in a clearing arrangement, to the prejudice of one partner, the cut-throat competition of Germany's export industry in southeastern Europe has succeeded least of all. This is due principally, however, to the existing goods shortage in Germany. More important in a survey are the effects which the southeast's trade with Germany has had upon its trading relations with other countries. The shift in exports in favor of Germany has impeded export to countries with uncontrolled currencies. The import needs of southeastern Europe, on the other hand, have changed little or not at all, Germany being in no position to supply ores, copper, cotton and other essential raw materials. Pressure, partly hidden by fluctuations in the general business situation, begins to appear on the trade balance of southeast Europe with western Europe and overseas countries. Counter measures are demanded, such as the granting of increased export premiums. It is natural enough that the devaluation of the currencies of the states of southeast Europe in relation to the mark should gradually lead to a like devaluation, even if in disguised form, in relation to the currencies of other countries.

As a result of Germany's efforts in recent years, and the great rise of German influence since the Munich accord, trade with Germany will control the economic future of the Danube basin and the Balkans. The above considerations all go to show that Germany is in a position to shape this trade in a manner very favorable to herself and very unfavorable to her partners. This is the danger faced by all the lesser countries. On the other hand, there may be countervailing advantages. Germany, undernourished and in a favorable geographic position with respect to central and southeast Europe, might become a good customer for agricultural products which are non-exportable, or exportable only under difficulties, to other foreign markets. Thus the economic balance of Germany's trade in the Danube basin and the Balkans depends on the relative weight of these two contradictory factors.

It is most likely that the balance will prove negative. Germany

is much less interested in her new partners' production of goods that have not hitherto been well qualified for world competition than in goods actually handled in world trade. She needs wheat and metals much more than cattle, poultry, vegetables or fruit. And Germany's own exporting capacity is much too low to make her renounce the advantage of politically enforced import prices, as long as the demands of her rearmament industry continue.

In this respect the acquisition of Austria and the Sudeten territory can effect but little change. It is true that German industry has thereby been supplemented, so that it ought to be easier for Germany to cover in goods her imports from the Danube basin. All signs indicate, however, that in these regions, too, economic ends will be sweepingly subordinated to military ends, that the textile industry of Vienna and Bohemia will lack cotton, and their machine industry, iron.

If, however, the armament race were to stop, it seems very probable that Germany, again capable of exporting, would look up her old trade connections in occidental Europe and overseas, connections that were notably profitable as long as relative costs of production, not the incidence of political power, determined procedure and issue.

Such a contingency is as yet not visible. Meanwhile southeastern Europe's trade subjection to Germany is likely to continue. It will continue to inflate the trade figures in the statistics of Roumania, Hungary, Yugoslavia, Greece and Bulgaria, while the welfare of these peoples will stagnate or actually decline.

(New York City)

THE CORPORATIVE EXPERIMENT IN AUSTRIA

BY ERICH HULA

THE Austria of Dollfuss and Schuschnigg liked to be regarded as a corporative state, that is, one founded on corporate bodies comprising both the workers and the entrepreneurs of the same trade or profession. Still, an objective discussion of the corporative experiment in Austria must be preceded by the sober statement that such a corporative state had not yet actually taken shape when the German troops marched in and put an end also to the corporative experiment. In Austria there was occurring a repetition of the experience of Italy and Portugal that it is one thing to proclaim a corporative state and another to realize it, even though it is supposed to be founded on the natural order of society. Mussolini's *stato corporativo* gave us an example of a corporative state existing for twelve years without corporations, the *corporazioni* being launched only in 1934, and Salazar's Portugal is another striking example of this strange phenomenon. Austria may rightly claim, however, that she was allowed less time to carry out the principles she had adopted than were the other so-called corporative states.

Though it met so abrupt an end when it was still in its initial stage, the Austrian corporative experiment offers useful suggestions concerning pluralism, both as to theory and practice; it is interesting, besides, as an integral part of the political history of Austria's last years. Indeed, so interwoven were the experiment and its political background that the former may as well be called a political experiment. Its essential traits were determined by political considerations, so much so that it can hardly be considered as clearly representative either of pluralism in general or, in particular, of the pluralistic doctrine of the papal encyclical

Quadragesimo Anno, although this was hailed in many political speeches as the Magna Carta of corporative Austria. The central concept of the pluralistic theory is group autonomy. To be sure, group autonomy was a watchword of the corporative reform in Austria, but in the very moment that the experiment was started the most elementary rights of vocational autonomy were for political reasons suppressed.

I

When Dollfuss embarked upon the policy of corporative reform he had just turned away from political democracy by pushing aside the parliament. Still, by this fact alone the autonomy of the vocational organizations would not have been doomed. The authoritarian form of government does not necessarily imply that the state denies any domain of free existence to individuals and groups. When the political existence of a government does not depend upon the confidence of some parliamentary assembly the state is not necessarily totalitarian. As a matter of fact, the institutions of territorial and personal autonomy are older than parliamentary democracy. The limited monarchy of the nineteenth century, to mention just one example, was an authoritarian state, but it did not even think of holding down all free activity of individuals or groups, as does the totalitarian state of today. On the other hand, the democratic state itself does not always look sympathetically at the idea and the institutions of autonomy. Group autonomy is on principle compatible with any form of government, so long as the state does not claim omniscience, so long as it does not become totalitarian. A mixed form of government will best check such a development.

The declarations of the Austrian government in 1933 referred very frequently to the encyclical *Quadragesimo Anno*, in which Pope Pius XI had restated the Catholic pluralistic doctrine only two years before. These references could not but be understood in the sense that whatever restrictions of political democracy might be intended by the government the authoritarian state

would not do away with democracy in the economic and social spheres, but would develop the already existing institutions and mold them into a system, the system of corporative society. The opposition was clever enough to take the government at its word. Otto Bauer, the leader of the social-democratic party, declared the corporative reform to be on principle acceptable to his party, provided that it would truly aim at industrial self-government and not be misused in the fascist way as an administrative device to strengthen the machinery of a totalitarian state.

Only a few weeks later, in February 1934, came the armed clash between the government and the social-democratic party, and following it the dissolution not only of the party but also of the social-democratic trade unions, representing the overwhelming majority of the Austrian workers. This destroyed the democratic basis on which alone the corporative structure could have been founded. I am not considering here the question of guilt, but only the consequences which suppression of the free trade unions had upon the corporative experiment.

That this act of the government blocked rather than paved the way to a corporative society would remain true even if it were considered, from a purely political point of view, as justifiable or even necessary. The fascist tendencies of the Heimwehr, at that time the driving force among the government groups, soon suffered a setback and had not been, even at the time of their relatively greatest influence, strong enough to wipe out the democratic conception of corporativism. Therefore the Austrian corporative experiment became an attempt to reconcile what was fundamentally irreconcilable, the idea of economic democracy and the fascist framework which had been set for its realization. This attempt had not yet reached its climax, though it was obviously approaching it, when Austria perished.

Since the Austrian government was determined, for political reasons, to eliminate the socialist trade unions, moderate as they were, it could not make use of the existing organizations for its corporative reform, but was obliged to start from the bottom. The

government decree of March 2, 1934, establishing the "Confederation of Austrian Trade Unions of Workers and Salaried Employees" (to be referred to hereafter as merely Confederation of Trade Unions), immediately following the decree suppressing the socialist unions, aimed at building up a semi-official trade union organization directed by loyal supporters of the government policy. Though the law confined the suspension of the right of autonomy to a period of transition, for the moment the president and other members of the executive committee were to be appointed by the Federal Minister of Social Welfare. In the same way the constitution of the confederation and its subdivisions was also to be drawn up by that minister.

The establishment of the Confederation of Trade Unions proved, however, that the dissolution of the old unions had not been due to any fundamental opposition to trade unionism as such, an opposition which inspired and still inspires the policy of the National Socialist government in Germany. The decree recognized the principle of freedom of association, at least in the sense that the worker was allowed to counterbalance his economic weakness by combining with his fellow workers. But so also does the law in fascist Italy. The principle of freedom of association was preserved under the new system also in its negative sense of guaranteeing to the worker the right to remain aloof from trade union organizations altogether, for the Confederation of Trade Unions was based on the principle of voluntary membership. Moreover, its finances were made dependent exclusively on membership dues, whereas according to the Italian law the fascist syndicates have the right to levy an annual contribution on all the persons represented by them, whether members or not. The principle of legal representation worked in Austria only to the advantage of the workers, inasmuch as the collective agreements concluded by the Confederation applied by law to all the workers and salaried employees falling within the territorial and occupational scope of the agreements, irrespective of whether or not they were members of the Confederation.

But when all this is said there still remains the fact that the workers were denied the right to join an organization of their own choice. The Confederation of Trade Unions was granted by law the monopoly of representing the legal, economic and social interests of workers and salaried employees. By strictly prohibiting other trade-union-like organizations the Austrian law went even beyond the Italian law which, however, only academically recognizes so-called *de facto* associations.

Restrictions of the right to strike, and also of the lockout, had already been decreed in 1933. They did not go so far as to forbid strikes altogether, but imposed an administrative penalty upon political strikes and, regardless of the motive, upon strikes in undertakings especially important for the common welfare. Trade disputes in such undertakings had to be settled by compulsory arbitration.

More or less the same principles were applied in building up corresponding organizations of the entrepreneurs. Here too the autonomy of group life was done away with, though not at one stroke. Some of the earlier vocational associations, particularly in the handicrafts, had come near that type of organization which the corporative reform was aiming at; nevertheless the diversity of these associations was superseded by the uniformity of huge organizations with the same monopolistic standing as the Confederation of Trade Unions, to the subdivisions of which they were intended to correspond. One federation was set up for the employers in industry and mining, another for the handicrafts, a third for the employers in commerce and transport, and a fourth for those in banking and insurance. A federation of the liberal professions was planned, but never materialized. The artificial character of this whole construction is obvious; the scheme was the fatal consequence of the initial decision, motivated by purely political considerations, to build a brand-new corporative house instead of only putting a corporative roof on what had grown up organically in the course of decades.

There was accordingly a tendency to pretend to corporative

achievements where there was none. To be sure, the establishment of monopolistic, government-controlled organizations of workers and entrepreneurs is not only a means of keeping down any political opposition, but at the same time it prevents violent outbursts of strife among the classes. Still, a reform which desires to unite rather than to separate the classes has a strange result if it legally structures the social body along class lines. This was, however, the first result of the corporative reform in Austria, as it had been the first result of the corporative reform in fascist Italy. The Confederation of Trade Unions on the one side and the several employers' federations on the other side had even been constituted as corporate bodies under public law (*Körperschaft öffentlichen Rechts*). Moreover, they were all highly centralized organizations. Both the legal character and the tight structure of these organizations were expected to facilitate their control by the government.

But the picture has also its other side, as Mussolini, attempting a similar scheme, had found out before in his experience with Rossoni, head of the national confederation of the fascist syndicates, an experience which had caused Mussolini to split the unitary workers' organization into several parts. There was no Rossoni in Austria, and therefore no need of cutting to pieces the Confederation of Trade Unions, though this would have pleased and was even asked for by those who desired to do away with trade unions altogether, or at least to weaken them. But neither was there a Mussolini in Austria, nor was the Austrian political climate such that these organizations, semi-official as they were, could not soon have been able to rid themselves to a large extent of the control of the government and to push their particular interests.

II

So far the formal set-up of the so-called corporative Austria resembled very much the fascist *stato corporativo* before 1934, but its political reality differed widely from the Italian version. The same totalitarian form covered a different content.

Totalitarian Austria used her machinery to exclude extreme policies rather than to impose them on the people. To be sure, the Austrian government would not have been strong enough to follow an extreme policy. Its popular basis was probably smaller and weaker than that of any other minority government in the Europe of the last years. Curiously enough, after Schuschnigg ousted the fascist Heimwehr from his cabinet and after he dissolved the pseudo-military formations which had played so decisive a part in the years 1933 and 1934, this basis became still smaller.

Nevertheless it would be wrong to assume that the government merely made a virtue of necessity. Its policy, particularly that of Schuschnigg, fitted in too well with old Austrian government traditions to allow this simple explanation. Emperor Franz Josef, when the strife of the nationalities reached a point where it could threaten public order and safety, regularly tried to escape politics by returning to the methods of the police state. But the police is an instrument for protecting an existing order, not for creating a new one. Therefore totalitarianism of the Italian and German type, which desires to revolutionize man, state and society, needs in addition to the police a more dynamic instrument, better fitted than a merely bureaucratic apparatus, to bring about so profound a change. The instrument by which the totalitarian state of this type imposes its will on individuals and groups throughout all spheres of the national life is the totalitarian party.

In Austria both the revolutionary will and its adequate political instrument were lacking. To illustrate this statement by just one example: the set-up of the new trade union system aimed at excluding all influences which would question the existing political order, but it did not prevent the new unions from carrying on the same economic and social tasks that the socialist unions had pursued before. Nor did it even prevent them from questioning the existing capitalistic system, since the government itself was holding out hope for its reform. Far less was the Confedera-

tion of Trade Unions intended, as is the German Labor Front, to create a new type of worker, modeled on the soldier. As a matter of fact, the key positions of the Confederation were handed over by the government to genuine trade unionists who, although politically they represented only a small minority of the Austrian workers, were as unionists recognized by the great bulk of the workers and in fact did their best to live up to the old trade union traditions — so much so that the sympathy of the entrepreneurs for trade unionism certainly did not increase after 1934.

Moreover, in their trustees the trade unions had executive organs which were firmly rooted in the undertakings. To be sure, in the factories too the right of autonomy was at first suppressed and the trustees were appointed by the Confederation of Trade Unions. But the law considered this way of appointment as a purely provisional method to be replaced in a near future by a system of direct secret majority voting. The first elections of this kind took place at the end of 1936. Both by law and in fact, the legal status of the trustees was more or less the same as that of the members of the former works councils had been. The only innovation was that, in conformance with the corporative idea, the employees and the employers were now to form in every undertaking a so-called works community, whereas the old law had made provision only for occasional collaboration between the employer and the employees. But precisely this corporative provision remained more or less a dead letter.

Austria was lacking also in the institutional instruments of a totalitarian policy. The "Patriotic Front," which formally corresponded to the totalitarian party in Italy and in Germany, was an organization intended to give a democratic appearance to the authoritarian state, but it was not a forceful instrument of its policy. For functioning as such it had neither the coherence nor the percussive force of the Italian Fascist party and the National Socialist party which, after all, have conquered their states. The lack of coherence of the Patriotic Front was due in no small measure to the lack of a distinctive program or policy. Adherence to

the principles of an independent, Christian, German, corporative Austria, which according to the law membership in the Patriotic Front implied, meant adherence to that type of party that has been compared with an empty bottle rather than adherence to a religious order, which the party of the totalitarian state is supposed to resemble. The agencies through which the Austrian government tried, not always successfully, to execute its will were the bureaucracy, the police and in the last resort the army. The Patriotic Front was just another governmental agency standing beside the regular ones, not above them, like the state party in the totalitarian countries. The Confederation of Trade Unions and the employers' federations were therefore practically independent of the Patriotic Front.

One might say that it was these bodies, though they had been intended as vocational organizations upon which later the corporative structure should be founded, rather than the Patriotic Front which superseded the former political parties. This is true particularly of the Confederation of Trade Unions, which became the left wing of Austrian politics. The fact proves how wrong the opinion is that the modern state can do away with political parties altogether. This opinion, so widespread today and so strong a motive in the corporative movement, is prompted by the conviction that the political party is an element of disintegration rather than of integration. Actually everything depends upon the character of the parties in question. Experience has shown, however, that the only sensible alternative is the pluralistic party system of the democratic state, or the monistic party system of the totalitarian state. Where neither system functions, as was the case in Austria, the very organ which politically coordinates economic differences is lacking.

In such circumstances it is not surprising that an economic particularism soon developed which gave to the public life of Austria more a feudalistic than a totalitarian touch. The government did scarcely anything to check this trend, but inclined rather to a policy of letting these organizations themselves decide and

agree upon economic and social questions. Therefore their influence upon legislation and administration became stronger and stronger. Interference with business and restrictions on individual initiative originated not with the state but with the vocational organizations, particularly the employers' federations, the state lending them its authority.

The corporative experiment in Austria was neither initiated nor favored by big business and banking; its sponsors were the handicrafts, which expected a corporative organization of society to protect them from ruinous rivalries, as the mediaeval craft guilds had done. Such demands seemed the more justified under the new system as the corporative idea does in fact imply that the administration of certain economic matters in general and the control of competition in particular should be transferred to the corporative bodies. In Austria demands of this kind were even based upon the encyclical *Quadragesimo Anno*, although the corporations which the encyclical had in mind did not yet exist.

In the same way the corporative idea and the encyclical were misused for disguising egoistic wishes and demands by playing off "corporative" policy and "class" policy against each other. There was a growing tendency for both the entrepreneurs and the workers to settle their differences on the basis of high prices and high wages, an attitude no less detrimental to the public welfare than is class egoism. Formerly the feeling of class solidarity and the workers' understanding of their own consumer interests would have made impossible such a trade union policy. Now it could be all too easily justified as conforming with corporative considerations as opposed to class considerations.

These tendencies would have been even stronger but for the existence of the Confederation of Trade Unions and the chambers of labor, the latter being the bureaucratic agencies of the former, which tried to check this trend in the interest of the workers and the nation as a whole. But such efforts would have had the less chance of success the more the corporative reform proceeded, since in Austria the corporations which the reform was trying to

establish had been thought of from the very beginning as producers' organizations pure and simple; unlike the practice in Italy and in contrast to most of the schemes of pluralistic theorists, the Austrian effort at corporativism left the consumers outside the corporations.

The same may be said of the composition of the Federal Economic Council, the legislative chamber which the constitution of 1934 intended to be based on functional representation; its members were to represent and be elected by, in one way or another, seven electoral bodies, comprising only employers and employees. (These bodies, however, were not yet in existence, and during the transitional period the members of the Federal Economic Council were appointed by the federal president.) To be sure, the Council had merely advisory functions. The Federal Diet, where decisions were voted upon, comprised, besides the members delegated to it by the Federal Economic Council, members delegated by the other legislative chambers, and was thus an approach to that type of functional representation which includes also the consumers.

III

It was rather daring to proclaim, as Dollfuss did, that the encyclical *Quadragesimo Anno* was the Magna Carta of the new Austria. If it means always a great responsibility to borrow from so high a source the authority for human actions, necessarily fraught with all the weaknesses of human nature, it meant in this case a particularly great responsibility, for in Austria the encyclical was being pushed to the forefront at a moment when the reality of Austrian politics was moving away from the ideal state of society which the document pictures. This statement does not, on the basis of the encyclical, imply a judgment on Dollfuss' political decisions in 1933 and 1934, since the encyclical could not and did not say anything about what concrete actions a statesman must take in a concrete situation. All that it could do, and did do, was to emphasize his moral obligation always to aim at the

common good. It had to leave, and did leave, to his individual conscience the question of what action would actually best serve the common good. But for this very reason it cannot be considered justifiable to cover the political actions of those years with the authority of a document which only lays down the general principles of the ideal state of society.

Many times from 1934 to 1938 Austria was praised as the state envisioned in *Quadragesimo Anno*. Nothing could be less justified than such a pretension, in so far as it referred, as it usually did, to the authoritarian form of government established by Dollfuss in 1933 and legalized by the constitution of 1934. At no point does the encyclical deal specifically with the problem of the form of the state, and where it does touch on this problem it merely repeats what Leo XIII had expounded in his encyclical *Immortale Dei* of 1885: that men are entirely free to choose any form of government they like, provided that it be not at variance with justice and the requirements of the common good. In accordance with this teaching Seipel and the other Christian Socialists had in their time taken an active part in drafting the democratic constitution of 1920. Nor can it be said that *Quadragesimo Anno* indirectly suggests that the corporative reform of society which it favors either presupposes or involves an abandonment of the democratic state and the democratic party system. So little is the encyclical concerned about the constitution of the state that it does not even raise the question of whether and in what way the corporations should be represented in the legislative and administrative bodies of the state.

Quadragesimo Anno starts from the assumption that the cure for the evils of our time lies not so much in a reform of the state, but in a reform of society. Needless to say, the Pope, as representative and guardian of spiritual and moral values, considers human regeneration in God to be the indispensable prerequisite for any successful institutional reform. This is not merely a moral exhortation, but is the expression of his deeply rooted conviction, borne out by the teachings of history, that institutions as such

do not mean much if the right spirit is lacking. If he did not at the same time recognize the reciprocal influence of institutions upon men, he would not be so much concerned about the present state of society.

I cannot deal here with the encyclical as a whole and must therefore neglect even the implications of its contention that the uplifting of the proletariat by wage-earner ownership is the only means of effectively defending the peace and tranquillity of human society against the forces of revolution. In the present context we are concerned only with its suggestions as to a corporative structure of society, which have played so important a part in the history of the Austrian experiment.

The fundamental idea which underlies these suggestions is of a typically pluralistic character. Little as the encyclical is concerned about the form of the body politic, it deals at length with the question of its aims and its functions. Time and again it stresses the limits of state power and defies the idea of the omniscient state. Upholding the old tradition of Catholic social philosophy, it considers the social world to be a vast complex of groups which, having an existence of their own, must be accepted by the state, but are not created by it. The state should only direct, watch, stimulate and restrain them as circumstances suggest or necessity demands. The encyclical looks with horror at a society in which the atomistic individual and the state are the only entities; it sees in the lack of intermediary associations, standing between man and state, a danger both for the individual and for the state. The individual, facing the state in complete isolation, will sooner or later lose his distinct personality, and the state, encumbered with functions not suitable to it, will become more and more entangled in the conflict of interests and thereby forfeit its authority.

To a society of this structure the encyclical opposes a society in which the social functions are assigned to individual, group and state in accordance with the principle that the larger and higher organization must not arrogate to itself functions which

can be performed efficiently by the individual or by a smaller and lower body. This principle cannot but be interpreted as a declaration of war against the fundamental concept of the totalitarian state.

The encyclical's criticism, however, is directed not only at the totalitarian state, but at the modern state in general, in so far as it has taken up duties which could be performed equally efficiently by smaller groups of society. The encyclical contends that in such cases the state should leave to these smaller groups the settlement of business of minor importance.

Sympathetic as it is toward group activities, the encyclical is on the other hand not blind to the danger, inherent in any pluralistic system of society, that the social body will break asunder into different parts, no longer interrelated, and the unity of the state be destroyed. As a matter of fact, not seldom has the anarchy resulting from such a development helped to bring about that despotism against which pluralism desires to mobilize. It was for this reason that Rousseau contended that if there had to be intermediary bodies at all it would be best to have as many as possible and to prevent them from becoming unequal. *Quadragesimo Anno* does not advocate such a mechanical device, but suggests intermediary bodies of a particular structure: the corporations. It is hoped that they would assure the cooperation of capital and labor by combining those who practice the same trade or profession, regardless of the position they occupy in the labor market. The encyclical is based on the assumption that the establishment of the corporations would do away with the grave disorder that arises from the conflict of class interests and of the classes themselves, with its disintegrating effect upon society: the profession unites where the classes separate.

Besides promoting and assuring industrial peace these corporative bodies would have to relieve the state of functions which they could better take care of themselves. The scheme that is envisioned is that of a decentralized state, with the corporations acting as self-governing economic bodies, like municipalities, with

competences of their own and competences delegated to them by the state, with the difference that municipalities are territorial and the corporations would be personal units.

Although the encyclical stresses the bond of union by which employers and employees are joined in a common effort to produce goods or services and strive for the common good, it does not deny that the classes have also divergent interests. It suggests, therefore, that in cases in which the interests of employers and of employees call for special care and protection against opposing interests, there should be separate deliberation in the assemblies of the corporations, and even separate votes. Nor does it object to the forming of organizations also along class lines; it only warns them that in pursuing their particular interests they should never lose sight of the requirements of the common good. In fact, like the encyclical *Rerum Novarum*, the fortieth anniversary of which it celebrates, the *Quadragesimo Anno* upholds with solemn words the right of employers and employees to combine for trade purposes: "Let those free associations which already flourish and produce salutary fruits make it the goal of their endeavors, in accordance with Christian social doctrine, to prepare the way and to do their part towards the realization of the corporative order." Free and separate associations of a private character of the employers and employees are thus to the Pope indispensable both for building up and for maintaining the corporative society.

It would be useless to measure in detail the actual results of the Austrian corporative reform by the ideal state of society expounded by the *Quadragesimo Anno*, even though the ill use which has been made of this papal document might invite such a comparison. As I have already emphasized, the encyclical merely sets up guiding social principles without suggesting anything about the concrete possibilities of applying them. And however it has been interpreted, it is a fact that the encyclical *Quadragesimo Anno* functioned in Austria as an anti-totalitarian corrective in a totalitarian environment.

IV

So far the corporative reform had resulted only in the setting up of separate class organizations. The next and, not because of Austria's fault, last step was to create in industry and mining, crafts and commerce, common organs of the employers' and employees' organizations in which their representatives should collaborate on an equal footing. As a matter of fact, the principles applied in this stage of the reform strikingly reveal the character of the authoritarian and corporative concept as it was understood in Austria under the influence of *Quadragesimo Anno*. The state was given the right of interference only when and in so far as the vocational organizations of the employers and employees, the smaller units of society, could not agree upon a question among themselves; in Austria the state was not their master, but their arbiter.

The law of November 24, 1936, concerning the corporative committees and the settlement of industrial disputes, only outlined the organization of these committees and the procedure they were to follow. The details were left to the by-laws, which were to be formulated, on the one side, by the appropriate federation of employers and, on the other side, by the corresponding subdivision of the Confederation of Trade Unions. Though the by-laws had to be approved by the federal government they were in fact settled by the respective parties.

The corporative committees were intended to further the mutual understanding of employers and workers and so to strengthen the spirit of cooperation. They were thought of also as training schools for corporative self-government. According to the law the corporative committees were to deal with all economic and social matters which touched the common interests of entrepreneurs and employees. This theoretically rather far-reaching competence did not mean so much in practice, for the corporative committees could not make binding decisions. In any case the committees had too short a lifetime for this general competence to develop into anything like a corporative policy.

More concrete was their function of furthering collective bargaining and controlling the enforcement of collective agreements. The plan of charging the corporative committees with the actual enforcement of these agreements had been dropped and substituted by the provision that the enforcement as such should be left to the respective organizations of the entrepreneurs and workers, the corporative committees having only the right to advise these bodies of any breach of a collective agreement. Thus in this respect the law was less "corporative" than some collective agreements had been long before the corporative society was proclaimed in Austria, for there had been provision then for common agencies of both parties which would enforce the rules of the agreements concluded between them.

The most important function assigned to the corporative committees was the settling of trade disputes of any kind. As to disputes between employers and workers arising out of the individual contract of employment, the law authorized the employers' and employees' organizations to provide for settlement by the corporative committees, but it did not make this procedure obligatory. Concerning the settlement of collective trade disputes, however, the law's provision had an obligatory character, and applied both to legal disputes and to disputes on collective interests. These provisions intended no less than a typically corporative solution of industrial disputes.

An authoritative regulation of working conditions was to be only a last resort, adopted only if the efforts toward conciliation in the different stages of the procedure had failed. Even then the arbitration board had only the right, not the duty, to decide the case by a compulsory award; therefore the parties to the dispute were able up to the very last moment to prevent the award by concluding a voluntary agreement of their own. Only in industry and mining was the arbitration board obliged to make a binding decision. In all cases the impartial arbitrator was to come into play only in the last stage of the procedure, and he was to act merely as the presiding member of a board

to which the entrepreneurs' and workers' organizations each delegated two representatives of their own.

Indeed, the intention of furthering collective bargaining instead of displacing it by an authoritative settlement of labor conditions, and the intention of avoiding any weakening of the trade unions, seem to have been better cared for by the lawmaker than was the actual efficacy of the procedure. But the time of trial which was allowed this system was too short to make possible any final judgment. Only a few months after it had been set going the whole corporative experiment was stopped.

Thus the most crucial task at which the reform aimed and that which gave it the name — creating corporations which would assure the cooperation of employers and employees by combining them into common organizations — remained undone. But even if it had been accomplished the result, from a purely corporative point of view, would have been at best no more than a legally ordered joint body (*Tarifgemeinschaft*) of permanent character. In other words, the same and even a better corporative result could have been brought about if the existing seeds of a corporative society had been further developed rather than exterminated, if it had not been attempted to start from the bottom on uncertain ground.

As to whether the experiment at least served its political purpose, it is significant that Schuschnigg deliberately refrained from mentioning the corporative foundation of the Austrian state in the formula on which the Austrian people were to have voted in the plebiscite of March 13, 1938. He was sure that the workers would vote for Austria, but he was equally sure that they would not vote for a corporative system which was not based on their own organizations.

RELATIVE AND ABSOLUTE JUSTICE

BY ARNOLD BRECHT

I

Relativity

WHAT is just, what is unjust? Sometimes a voice within us claims to know. Whether or not we are trained as lawyers, that voice likes to announce, at times even to cry out: this is just, this is unjust. Not always, it is true, will this inner voice speak so decisively. Sometimes it will remain indifferent, or waver, or even hold contradictory answers in readiness. But in many cases it will respond clearly and distinctly to a fact. What voice is this? Is it God who speaks? Is it nature? Is it reason, passion, soul, conscience? What is the "idea of justice" or the "feeling of justice" that announces itself in this way?

In examinations of these old questions a modern school of relativity has evolved during the last three or four decades, in this as in other fields of the social sciences. This school has advanced the doctrine that justice, the idea or feeling of justice (or, as some would say, the idea of right, or the ends of law and justice)¹ are

¹ The terms are used differently by the various writers. Here I employ the term "idea of justice," or sometimes briefly justice, for the general idea of what is just and unjust. This idea may relate to opinions, judgments or acts, that is, not merely to the administration of the existing law of the land but also, and especially, to the making of laws, the distribution and redistribution of goods (as in social justice), administrative acts, revolutionary plans and actions, and even to mere judgments on merit, skill or achievements (critical or historical judgments and the like).

Notes on literature. References to the extensive literature have, for the most part, been omitted in this article and relegated to a comprehensive review which for technical reasons will be published in a later issue. The notes on literature will deal with: natural law; the transition to relativity; the German prewar school of relativity; the reasons for the German origin of the school; other factors contributing to its rise; Anglo-American views; levels of relativity; the *Is* and the *Ought*; recent anti-relativist proposals; and the relation of the present article to these proposals.

conceptions or phenomena of a relative character, because the postulates of justice cannot be ascertained apart from the system of values accepted in a certain period and locality by a certain person or group of persons. Especially will these postulates vary according to whether one regard the individual or the group as the highest value. To this antinomy was added later a third category of "work," or achievement, or more particularly *Kultur* or civilization.¹ As it is impossible to *prove* ultimate values, scientific analysis can only take stock of the various systems of values, clarify their true meaning and point to the implications to which they lead for the postulates of justice. The scholar in his capacity as a private citizen or perhaps even as an ethical philosopher (accepting certain ethical principles as established or recommendable values) may valiantly fight for one and against other systems of values. Yet the ultimate choice among the highest values is not a question of science or of justice; it is one of creed, of belief, an *a priori* to justice.

This theory, in abandoning any immutable, universal, absolute standard of justice, seemed to bring to a definite end a fascinating historic development of more than two thousand years, the story of natural law. Since the period when that doctrine first evolved in the fifth century B.C., it had already undergone at least three eclipses, but had been revived to new forms each time. The zig-

¹ The notes on literature will discuss the prewar German origin of these ideas. Here again there is variation in the use of terms. Georg Jellinek (*Allgemeine Staatslehre*, Berlin, 1st ed. 1900; 3rd ed. 1914, p. 173) has called the antinomy individualism (atomistic) and universalism (collective), assigning to each its corresponding conception of the state. Gustav Radbruch, the chief continental theorist of relativity in jurisprudence, has formed the three categories individualism, superindividualism and transpersonalism, according to whether the individual (freedom), the collective unity (nation) or work (*Kultur*) is given the highest regard (*Rechtsphilosophie*, Leipzig, 1st ed. 1914; 3rd ed. 1932, pp. 50 ff.). Julius Binder (allegedly not himself a relativist) uses individualism to include collectivism; at first he opposed to it transpersonalism (*Philosophie des Rechts*, Berlin, 1925, pp. 282, 307), but for transpersonalism he later substituted the old term universalism, in the sense of the organic theory of the state, abandoning completely the term transpersonalism (2nd ed., under the title of *System der Rechtsphilosophie*, 1937, p. 150). The use of the term universalism with restriction to the nation is, however, highly misleading.

zag of this movement, in fact a model in historical dialectics, can be but briefly recalled here.

During the first eclipse natural law, as pagan, was in danger of being superseded by divine law (in the meaning of divine will); the revival was effected by those who declared reason and belief—and thus natural law and divine will—to be compatible (St. Thomas, Suarez and, later, Leibniz). The second eclipse followed, three hundred years after Thomas, when positive law, along with the doctrine of sovereignty, was set forth to supplant both divine and natural law (Bodin, Hobbes). The revival came with the doctrine of natural rights, by which it was attempted to demonstrate that certain rights of the individual could not be eliminated by positive law. In its weak form this theory contended that the sovereign might justly disregard those rights, notwithstanding their existence (Hobbes); in its familiar stronger form it insisted that any violation of natural rights which was not designed to preserve them, was unjust (Locke).

The third eclipse was more thorough. Formidable blows were struck at natural law and natural rights by the skeptics, such as Hume; the moralists, such as Burke; the historians, as Savigny and Sir Henry Maine; the utilitarians, as Bentham; the modern positivists, as again Bentham, and Austin; and in particular by Kant's theory of knowledge which criticized the excessive use of "pure reason." During the subsequent period the appeal to natural law was made more and more dispensable by the increasing general agreement on highest values in earthly matters, in particular by the wide acceptance of the utilitarian formula (greatest happiness of the greatest number), of certain basic principles of civilization (abolition of torture and slavery, habeas corpus, independence of judges and the like), and even of the democratic ideas of general will and majority as the ultimate political judges of values. Thus the nineteenth century closed with a wide consent on highest values but a disintegration of natural law ideas, and without the former general interest in them.

Still there had taken place in the meantime one more, a third,

revival of natural law philosophy. First a delicate crescent had appeared in the skies of philosophical thought, visible only to a few; this was Kant's idea, carried on by English and German idealists, that moral duty is a generator of rights, that it is one's right to do one's duty. Kant added the cue for a broader school of thought by his endeavor to discover regulative principles of practical reason, which led him at the end of his life to ideas closely related to the natural law doctrines. The historians too were revealed to be not merely refuters but rather transformers of natural law ideas, because of their belief in a natural and organic growth of law. Hegel exalted reason once more to an objective and creative position. Neo-Kantians and neo-Hegelians carried on such ideas in refined and sophisticated forms. Side by side with these new approaches the earlier schools, including those of Thomas Aquinas and Locke, continued to exist. In particular, the full popular moon of natural rights has never ceased to loom large in the skies, though no longer taken seriously by "philosophers of rank."

But with the ascendancy of the recent theory of relativity the defeat of immutable and inalienable natural law or rights seemed to be consummated in science, with no exit left for further evasion. What the historians and the positivists had begun by centering attention on one people, one period, or a definite positive law, was now being carried on for every philosophical consideration of justice: a definite system of reference was held to be necessary as a starting point, the validity of which was beyond scientific proof.

Advanced, as it was, with the utmost soberness and modesty, the theory of relativity has exercised greater influence than is generally recognized. First of all, it has greatly contributed to correct, cleanse and refine scholarly thinking. But at the same time thinking in terms of relativity has thrown people into a state of bewilderment, into a feeling of helplessness. If justice is so relative, how then can one any longer call with any certainty of language for more "justice" beyond the deficient existing institutions, how even oppose, with an appeal to justice, any deteriora-

tion? Nevertheless it has seemed hardly possible to escape this perfect circle of thought, which takes account even of the fact that the believer may have an "absolute" yardstick as the basis of his belief—absolute for him, and perhaps even really absolute, if his revelation is right—but which modestly holds that God cannot be proved or disproved, only believed and taken for granted, or disbelieved and not so taken. If *you* believe in some ultimate order of values, to *you* justice may appear immutable and standardized according to that order (salute to Thomas Aquinas, and as a matter of consequence also to Lenin and Hitler). But if *I* believe in another order of values, to *me* justice is different. Make your choice. Tell me what your highest value looks like and I shall tell you what justice means to you. Before you tell me the one I cannot tell you the other.

The problem of the yardstick was thus being removed from the discussion of justice to other spheres, that is, to religious revelation and to ethical or political speculation. Had not Aristotle already done essentially the same thing with his classical statement of the three systems of values: democracy, in which the quality of being a freeman was the measure of rights; oligarchy, in which wealth or noble birth decided; and aristocracy, in which virtue decided?¹

Attempts to get around relativity and to describe not *one* idea, or several ideas, but rather *the* idea of justice, have not been abandoned. Yet many of these attempts have assumed a merely formal character, that is, they have sought to derive general requirements from the character of law as a normative institution designed to maintain peace and order and to meet the demand for certainty. Side by side with such formal endeavors individual philosophers in many countries are still trying to find one or a

¹ "All are agreed that justice in distribution must be based on some sort of merit, but they do not all mean the same sort of merit, the democrats having in mind the quality of being a freeman; the adherents of oligarchy wealth, or others noble birth; and the adherents of aristocracy virtue" (Nichomachean Ethics, Book V, ch. III). Note that Aristotle in this context does not go into the question of which of these systems is best. Relativism can be traced still farther back to Protagoras and the sophists.

few substantive principles which they can propose as absolute or objective principles of justice, with the claim of scientific certainty or metaphysical evidence.¹ Powerful political leaders have done the same and have acted according to their principles, with repercussions that have been felt throughout the world. But all this has seemed merely to confirm the relativists' doctrine concerning the limits to the demonstrability of values. For most of these principles have not been recognized even in the so-called civilized nations, and they have been highly contradictory from writer to writer, from actor to actor. Almost none of the proposed principles is accepted everywhere as valid beyond question. We have lost not only natural law but also any far-reaching practical agreement on highest values.

Although a particular school of relativity in jurisprudence and political science developed mainly in central Europe, similar ideas swept the whole western world. American courts and literature clung to higher law and natural rights longer than did European theory, but finally they too became uncertain and gradually capitulated. The due process clauses in the Constitution formed the convenient bridge from higher law to positivism; the latter, along with empiricism and pragmatism, paved the way for skepticism and views of relativity. The mood now prevalent is well expressed in an observation made recently by Roscoe Pound: "Jurisprudence," he writes, "cannot wait for an ultimate solution of what thus far has proved insolvable [the questions of epistemology and the determination of the highest good]. A *workable* measure of values, on which the jurists from *many* different philosophical standpoints and from any of the *current* psychologies can agree, is a necessity. More than that is a juristic luxury for which the Anglo-American lawyer is not inclined to look."² This approach discards, exactly

¹ The notes on literature will enumerate and discuss such proposals.

² "Fifty Years of Jurisprudence" in *Harvard Law Review*, vol. 51 (1938) p. 460, in defense against Radbruch's suggestion that Pound had left off where a real philosophy of law should begin (*italics mine*); cf. also Pound's earlier article, "The Call for a Realistic Jurisprudence," *ibid.*, vol. 44 (1931) pp. 697, 706, 711. Other references concerning the Anglo-American literature will be given in the notes on literature.

as do the relativists, the efforts to establish the highest good in absolute terms. It confirms rather than rejects the relativist conception and merely tries to bring it down from basic considerations to practical jurisprudence within what we used to call western civilized society, at the same time withdrawing from the most difficult problem—justice with regard to new and different civilizations.

II

Traditional and Transtraditional Justice

Relativity is very obvious indeed for a large sector of what is covered by the idea of justice. Within this sector, which is so broad that it can easily be mistaken for the whole thing, one has to go even farther than the proponents of relativity have gone. Not only are there in separate individuals various ideas of justice, the validity or invalidity of which cannot be proved; also each individual is capable of several ideas of justice. Our ideas and feelings of justice may be dual or threefold, or even morefold, in accordance with the systems of values to which we respond positively at different times, or even simultaneously. Justice is, so to speak, a barrel with several bottoms.

In particular, there are two distinct levels in our ideas of justice, both of them conditioned by something outside the proper sphere of justice, dependent on something else: either our thinking about justice moves strictly within the institutions of our present status of civilization—I shall call this the traditional idea (feeling, sense) of justice; or it may transcend the traditional institutions—and this I shall call the transtraditional idea (feeling, sense) of justice.

While the traditional idea of justice accepts the fundamental institutions which constitute the basis of our daily social life, takes them for granted, does not question them, the transtraditional idea detaches itself from these institutions, in whole or in part, and criticizes them according to principles which are taken from a

transtraditional scheme of evaluation. This again may be done in dependence on group ideas, which are accepted and carried on by the individual in some condition of submission, as for example ideas of a party or a junta or merely of a stronger personality, a friend, the husband, the priest. From there the individual may penetrate to a third level, in more courageous hours, where he discovers what he "really" thinks and where he may be critical also of the transtraditional ideas of his friends. Within a single day he may move through all three levels, in his business hours living and feeling with the traditional sense of justice, in the evening joining with his friends in their criticism, and at night isolating himself also from his friends. On each of these three levels his idea of true justice will depend on a system of evaluations. It may even be possible for the individual to shift at will from one level to the other.

A few words will serve to illustrate the difference between the various levels.

First, as to *traditional* justice. Our present western civilization is built upon certain fundamental social institutions. One may insert into their list an infinite number of usages, long-established ones and recently added ones, central ones and marginal ones—there is no well defined boundary. As fundamental institutions I have in mind, more particularly, the following seven: monogamy; family, including the status of parents and children; private property; inheritance; contract; and, in a sort of residuary and subsidiary position, a certain institutionalized amount of liberty and equality. To these may be added many others of secondary importance (such as corporation) and, in a more central position, state and government.

All these basic pillars of western civilization are so familiar to everyone living in the western world, be he lawyer, artist or employer or manual worker, that we operate with them as given conditions.

Everyday thinking and feeling about justice moves within the temple that is built upon these pillars and supported by many

smaller columns and buttresses. The more of the details one knows, the more detailed and exact are the responses of one's traditional sense of justice, and they become the most so in the inner circle where the lawyers live, those whose profession it is to know established institutions.

The way in which the sense of justice operates in the traditional temple includes the following four distinct steps: (1) consciously or unconsciously the individual accepts the traditional institutions in his arguments; (2) he uses them as a basis for logical reasoning, drawing all implications; (3) he accepts regulations based on them which make for expediency or certainty, such as checks or bills of exchange, statutes of limitations, fixation of the proper time for serving notice, in the absence of special agreements; and (4) he argues against "abuses." In arguing against abuses he either contends for a modified meaning of the institutions, holding it to have been established already, or he demands such a modification for the future, which means a transition from the traditional to the transtraditional. Other elements which can be recognized in the operations of the traditional as well as the transtraditional sense of justice will be examined in the following section.

For lack of space I cannot now discuss the interesting details of the four steps mentioned above: for instance, what is actually involved in logical reasoning on the basis of the given institutions; how far it leads in some cases; how in others it ends in a clash between contradictory implications of two institutions and then leaves traditional operations in confusion, our sense of justice wavering indecisively; how far liberty and equality are precluded by the other institutions and how far they transcend them. The important point here is the fact that in the traditional sphere thinking starts from unquestioned social institutions, although in our zeal of reasoning we often forget that it does so, and that these institutions might be different from what they are, as most of them have been different at various times and are now different in various countries. Wherever they are different, or whenever they were so formerly, the traditional reactions of the sense of justice

are or were different accordingly. That is to say, the traditional idea of justice is relative to something *objective*, the existing institutions.

We come to *transtraditional* justice if instead of staying within the temple we look at it from without and judge and criticize the structure. This too we can do under the apparent guidance of our sense of justice. The standard we are applying then is again not absolute, or at least it is far from being completely so. It is once more relative (to what extent I shall discuss later), but it is no longer relative with regard to objective factors. The relativism is now in regard to a subjective (that is, personal) conviction or creed as to what are the most valuable goods toward which the whole system ought to move (the ultimate goods), or what are those that should be immediately realized (the next step), and what the right order is in a plurality of values.

The variety of potential creeds of this sort is infinite. Gustav Radbruch, in stressing relativity, nevertheless expresses his belief that it would be possible to present systematically, in a small list, all conceivable schemes of values.¹ As a matter of fact, what a man may treasure as superior values is so manifold that it withstands any attempt at an exhaustive clarification. Such an attempt would lead either to merely formal categories or to arbitrary selections. Even the ultimate dichotomy of individualism and superindividualism—or the trichotomy in which transpersonalism is added—while quite convenient for a summary discussion, does not hold good if thought of as a necessary and exhaustive division. Not all the potential creeds fall into one of these categories. Almost all comprise at least elements of both individual and superindividual values; and within the same category they are often so contradictory that it is arbitrary to pool them together.

To give an illustration of the variety of aims which people may regard as highest values, either for the distant future or for the

¹ *Op. cit.*, p. 10, also p. 51; cf. also Radbruch's article, "Le relativism dans la philosophie de droit" in *Archives de philosophie du droit et de sociologie juridique*, vol. 4 (1934) pp. 105, 106.

present moment,¹ a few "pure types" out of many may be briefly sketched. Thus we have:

1. The *equalitarian*, who places equality highest and derives from this ultimate ideal his standards of justice. As we shall see later, a certain segment of equality is contained in every idea of justice. But the equalitarian wants more. He wants the whole thing. There are many kinds of equalitarian, depending on what they desire to make equal: freedom, happiness, opportunity, wealth or whatever it may be. And further subdivisions are necessary; if, for instance, equality in wealth is the ideal, we must distinguish whether the equality of wealth (or income) is desired on a per capita basis, or according to need, work, quantity of work or quality of work,² or on a worldwide basis (very rare) or on a national or racial basis, and the like.

2. The *libertarian*, who tends to measure everything by the yardstick of liberty. He will ardently oppose as unjust many steps intruding on liberty, though the equalitarian may welcome them as just, and inversely. The subdivisions run from liberty as a condition of personal dignity and morality (Kant) to liberty for egoistic self-assertion.

3. The *revelationist*, whose highest aim is the execution of God's will. Whether divine will be individualistic or national or universal in its purpose is, on principle, quite irrelevant to one of this type. Hence we may call him a transpersonalist. But if the

¹ No definite distinction can possibly be made between values that are merely means and those that are "ultimate." Values that were originally offered as mere means to higher ends often gain general esteem as values in themselves. This contributes to the great number of varieties. Further, the creed is sometimes (as in numbers 3, 5, 6) dominated by belief in a definite authority for the establishment of values, and sometimes (1, 2, etc.) by "direct" belief in the value itself. But even this is not a definite principle for a valid classification, because the authority may be thought of either as merely a source of evaluation or as a value in itself.

² See articles 12 and 118 of the Soviet Constitution of 1936: "In the U.S.S.R. the principle of socialism is realized: 'From each according to his ability, to each according to his work,'" and "Citizens of the U.S.S.R. have the right to work, that is, the right to guaranteed employment and payment for their work in accordance with its quantity and quality." Earlier socialism preferred the according-to-need ideal, which leads to completely different results. Cf. Arnold Brecht, "The New Russian Constitution" in *Social Research*, vol. 4 (1937) pp. 157, 167.

divine intentions are individualistic he may be an individualist as well, or he may be a group fanatic with regard to his church. Subdivisions are as manifold as revelations.

4. The *conservative*, the traditionalist pure and simple, provided the temple of traditional institutions has been unchanged long enough. Even if he regards it from outside he likes it and happily reenters it, caressing every pillar, column and ornament with tender hands. His transtraditional level of feeling is identical with the traditional one. If the temple has recently been changed he wants to set the clock back to former stages. Subdivisions are as manifold as traditions. In another sense of the term, the conservative is always an adherent of the organic state and an authoritarian (Binder).

5. The *authoritarian*, who regards leadership as a principle of highest value. To follow leadership is just, to counteract it, unjust. The different ideas on the legitimacy of leadership multiply the subdivisions of this group; ideas on mutual relations (feudalism, *Gefolgschaft*) may further qualify each subdivision.

6. The *majority worshipper*, who holds that whatever the majority decides is the highest value to be accepted by everyone. To follow the majority will (or the "general will") is just, to oppose it is unjust. It is not leadership that arouses his enthusiasm but the consent of the people, or of the majority.

7. The *hedonist* ("Benthamite"), who looks for happiness, or for the greatest happiness of the greatest number. His ideas would oppose those of the majority worshipper whenever the majority does not act for this highest end. The many different conceptions of happiness, from material egoism to immaterial altruism and transpersonalism, split this category into as many subdivisions.

8. The *group worshipper*. The group may be the family, a fraternity, team, racial group, religious sect or class, the territorial community, state-folk or nation,¹ the continent or humanity. The

¹"Alles was dem Volke nützt, ist Recht; alles was ihm schadet ist Unrecht" (All that is useful to the *Volk* is right, all that harms them is wrong), Hans Franck, *Nationalsozialistisches Handbuch für Recht und Gesetzgebung* (2nd ed. Berlin 1935) p. 4.

group worshipper may be more or less exacting in the relation he desires between the group and the individual. In the relation to other groups he may be a group-libertarian or group-equalitarian, in the latter case standing either for formal or for substantial equality, according to any one of various standards. In the extreme case he may be a group fetishist, ready to sacrifice any individual interest for any group interest and placing any other group outside the pale ("Right or wrong, my country").

9. The *harmonizer*, who thinks of harmony as an ultimate value (Stammler). Not everyone does.¹ Harmony may cover backward institutions. An oppositional libertarian may prefer hell to harmony.

10. The *pyramid builder*, the transpersonalist proper. He may have in mind civilization or *Kultur*,² or the evolution of the folk spirit, or a more specific achievement, such as climbing Mount Everest, building a cathedral, completing or saving a work of art,³ winning a battle (regardless of the purpose of the war), or the birth of a new generation.

11. The *man of duty*, who looks at life as a chain of duties rather than of rights and a struggle for happiness (Scholasticism, Kant, T. H. Green, Stammler and, in other forms, Duguit). He

¹ Thomas Jefferson: "I hold it, that a little rebellion, now and then, is a good thing, and as necessary in the political world as storms in the physical" (letter to James Madison, Paris, January 30, 1787, in which the writer also expresses some sympathy with societies that exist "without government as among our Indians": *The Writings*, 1907, vol. 6, pp. 63, 65). "God forbid we should ever be twenty years without such a rebellion [as that in Massachusetts] . . . And what country can preserve its liberties if its rulers are not warned from time to time that the people preserve the spirit of resistance?" (letter to William Steven Smith, Paris, November 13, 1787, *ibid.*, pp. 371, 373).

² Note that writers as different as Kohler, Radbruch, Binder and Sauer of the German sector show a preference for *Kultur* as the recommendable pole star. See also Roscoe Pound, *op. cit.*, vol. 51, p. 461.

³ Radbruch (*Rechtsphilosophie*, p. 53) quotes Treitschke, who said harshly, "A statue by Phidias counterbalances all the misery of the millions of ancient slaves," but also the socialist Kurt Eisner: "I at least do not value my life as high as a creation of eternal art, nor art so low as to be less valuable than living beings," and Sir George Birdwood who, when confronted with the question of whether in a burning house he would save a living child or Raphael's Sistine Madonna, answered the latter.

derives rights, if any, from duties (functions), not conversely. A subdivision, or even a separate type, is the individual of soldierly mind, who thinks of discipline, courage, honor and comradeship as ultimate values in themselves. Neither is necessarily tied up with the authoritarian type.

12. The *peace-and-order fanatic*, who places peace and order at the top, regardless of what they stand for. This is the regular state of mind of the policeman and civil servant on duty. He may not be a conservative, nor may he consider the present state to be harmonious; he may be in favor of thorough reforms, but he wishes them brought about in an "orderly" way. One can meet such views on high levels, as in international affairs (Kellogg pact), in jurisprudence (postulates of certainty and security) and among creative personalities.¹

In every case the transtraditional ideas on what is just and unjust vary according to the subjective scheme of values. One who changes from one conviction to another will thenceforth have a different idea of justice. Many items might be added to this list. In addition to the pure types, which may or may not exist as such, there is an infinite number of blends. As a rule, every political creed is a blend of evaluations in many varieties of juxtaposition and interrelation of the various items. In particular, as I have intimated before, almost every individualist accepts conditions in which the group (for example, nation) or achievement (for example, victory) rank higher than the individual.

All rational attempts to obviate this dependence of transtraditional ideas of justice on subjective evaluations seem to have failed. No purely logical proof in the realm of ethical values

¹ In the same year of 1787, when Jefferson expressed his sympathy with rebellion, Goethe in witnessing a nascent rebellion on his ship near Sicily wrote: "[Mir ist] von Jugend auf Anarchie verdriesslicher gewesen als der Tod selbst" (From my youth I have loathed anarchy more than even death: "Italienische Reise" in *Sämtliche Werke*, Jubilee ed., 1902-07, vol. 26, p. 377); and a few years later: "Ich will lieber eine Ungerechtigkeit begehen, als Unordnung ertragen" (I'd rather commit an injustice than bear disorder: "Belagerung von Mainz," July 25, 1793, *ibid.*, vol. 28, p. 251). There is a similar passage in "Wilhelm Meisters Wanderjahre" (book 3, ch. 14; *ibid.*, vol. 20, p. 207).

could be offered, because any such proof would presuppose an *a priori* acknowledgment of at least one such value, for instance equality or freedom. Nor could reference to nature lead to a definite rational yardstick. It certainly goes too far to say, as do some of the neo-Kantian methodological dualists, that nothing that *is* can tell us anything of what *ought to be*. To this overstatement one must object that the world of *is* at least sets the boundaries to what *can be*, and therewith reflects also on what *ought to be* in any moral sense of this term. We cannot eat the cake and have it, cannot live licentiously and stay fresh and young. This, as a matter of fact, is a very important limit to free speculations on the world of *ought*. Its importance has only begun to be recognized, or re-recognized. There are "self-avenging" ethical laws, and "negative" laws of nature.¹ But in so far as something is *not* barred by nature from being done or attained, the rules for what *ought* to be done or attained cannot be derived merely from what *is*.

No closer approximation toward a rational proof of ultimate values has ever been achieved than that presented by Immanuel Kant for his famous principle that man ought never to be used merely as a means-to-an-end but always as an end-in-himself.² Every college should make its students familiar with these arguments. But Kant himself points out that they are not scientific proof.

If the so-called "inner evidence" is to be accepted as proof, we are confronted by the fact that this medium responds differently in different persons with respect to most if not all of the values I have enumerated.

Finally, it seems that no appeal to "conscience" can rid us of relativity. Conscience tells us to be scrupulously particular about right and wrong, but it does not tell us that anything is wrong as long as we are convinced it is right, and conversely. Conscience

¹ To be discussed in notes on literature.

² "Grundlegung der Metaphysik der Sitten" in *Gesammelte Schriften*, ed. by the Prussian Akademie der Wissenschaften, vol. 4, pp. 427-29, 461-62; and "Kritik der praktischen Vernunft," *ibid.*, vol. 5, pp. 86-87.

urges us to test again and again whether we are really convinced beyond any doubt, yet as long as we are so convinced it may even urge us to go ahead fanatically.¹

For such reasons it seems impossible not only to state ultimate values but also to classify evaluations by means of science in a mandatory way. Not even does it seem possible to make definite *logical* subsumptions. Harmonies and disharmonies of values run in all keys. They cannot be forced into a universal scheme by logical operations.

III

Absolute Postulates

Are there, then, no absolute islands left in this ocean of relativity? First of all, let it be repeated that this ocean, scientifically unfathomable as it is, is embedded in absolute limits set by nature to the attainment of proposed aims, and these limits can be explored by science. To a certain degree, further guidance by science can also be expected. Science, although not able to dictate the right choice of ultimate values within those limits, can certainly help to clarify the true meaning of evaluations by the legitimate means of objective scientific discussion. Often, as in the case of Kant's thesis, approximate proof, sufficient for practical purposes, can be reached under assumptions accepted by the parties to the discussion. In other cases the practical shortcomings of a proposed solution, the implied evils and the practical risks involved, can be clearly shown by science. The great significance of such contributions will appear indirectly in the next section.

Yet in addition to such constructive factors that can be contributed by science, certain non-relative elements seem to be

¹ Again one may quote Kant: "Whether an action is right or wrong, mind and not conscience judges." "Nor does conscience judge actions like cases under the law; that is done by reason inasmuch as reason is subjective and practical—but here [in the case of conscience] reason passes judgment on itself, whether it actually did undertake that judgment on actions with all caution (as to whether they are right or wrong), and sets man as a witness for or against himself that this has or has not been done" ("Kritik der reinen Vernunft," *ibid.*, vol. 4, p. 185).

discernible in the very idea (sense, feeling) of justice, and it is the special purpose of this paper to point to their existence and significance. Justice depends very greatly, as we have seen, on outside considerations and evaluations, but we must beware of the fallacy which would have us believe that necessarily *everything* in justice depends either on such considerations and evaluations, or on a scientific proof of metaphysical principles which is a priori doomed to failure. There seem to be elements that are common to all the various ideas of justice, traditional and transtraditional, to all the emanations of the feeling of justice. These elements, which at first sight may appear negligible, are nevertheless of the greatest importance.

Four *prima vista* indications support the assumption that all the ideas of justice have something in common: first, such ideas exist everywhere as a distinct category of ideas; second, the term justice or its approximate equivalent exists everywhere; third, human longing for justice is so universal a factor that no one in public life can neglect presenting his acts as just;¹ and fourth, there is the negative indication that we can easily construe an action which is *not* just, which is unjust under *any* point of view, for example, a teacher's punishing one child—knowingly and out of pure meanness—for what another has done.²

Thus we have good cause for supposing that the universal term justice responds to a universal human need of expression, not only

¹ Thus, to choose from recent events, Mussolini took great care to demonstrate the justice of Italy's cause against Ethiopia, ending his radio speech of October 2, 1935, with the words: "It is the cry of Italy which goes beyond the mountains and the seas out into the great world. It is the *cry of justice* and of victory." It has been the same with Japan vs. Manchuria and later China, with German National Socialism vs. Austria and Czechoslovakia, or vs. the Jews, and it was the same with all governments in the World War.

² The "negative indication" mentioned above led theological philosophy to speculations on the limits that are set even to God's free will. In Leibniz' view it is impossible that God should violate the basic norms of equity by ordaining against them, by ordaining, for instance, that someone should crucify innocent people for the mere satisfaction of his own pleasure (*ut aliquis solius voluptatis suae causa . . . homines innocentes cruciet*; "Observationes de Principio Juris," *Leibnitii Opera Omnia*, ed. by Dutens, vol. 3, pt. 3, p. 273). There are similar observations in Grotius. See notes on literature (essays by Johann Sauter and Julius Moór).

in acquiescence with existing laws but also in criticizing them for lack of justice, and that this universal need for expression relates to something that has at least some elements in common. We have good cause for supposing, further, that these elements must be very important for human nature, because they are tied up with such passionate currents of feeling. Inner evidence, when universally admitted, carries greater weight in human understanding than an individual revelation that is contradicted by other revelations.

Such elements that are common to all ideas of justice, regardless of the individual creed, I shall call universal or absolute postulates of justice. Whatever may be their theoretical explanation, their practical value lies in the fact that they form, so to speak, an international or rather interdenominational vocabulary of justice which can be used among the different traditions and creeds. Whether they are transcendent, and harbingers of a higher world, I shall not try to say. I shall limit myself here to the statement that they are universal in the empirical sense and absolute in the sense that they are invariable postulates of justice in face of all the various systems of values.

Former periods have been very rash in formulating absolute postulates of justice under the heading of natural law. Although the stoics had early suggested that one should search for common notions which are implanted in all men (*koinaî énnioiai, émphytai kai physikaf*), no one seemed to have the patience to keep within these narrow boundaries. The writers usually set forth as absolute their own individual postulates or those prevalent in their period. In this way men of the first order, such as Aristotle and St. Thomas, included slavery under natural law, as others excluded it, or included the institutions of feudalism, of individual liberalism, of Christianity or of an equalitarian ideal. Only a very few elements of these old doctrines can be seriously considered here, since we are looking for postulates that are common to all known or imaginable ideas of justice, to all known or imaginable emanations of the feeling of justice. The list of absolute postulates in this

sense is subject to the formidable challenge that any utterance to the contrary would overturn any item of the list, provided that utterance were sincere, and the contradiction were not due merely to a conflicting use of terms.¹

The following five, it seems, can be regarded as absolute (invariable) postulates of justice even when considered under so formidable a challenge.

First, *truth*. In the objective sense justice demands an accordance with truth; in the subjective sense it demands an accordance with what is thought to be true. The exact meaning and immense importance of this postulate will be considered in the following section.

Second, *generality* of the system of values which is applied. It is unjust to select arbitrarily a system of values from one case to another.

Third, *treating as equal what is equal under the accepted system*. It is unjust to discriminate arbitrarily among equal cases ("arbitrarily" signifying in contradiction to the accepted system).

Fourth, *no restriction of freedom beyond the requirements of the accepted system*. It is unjust to restrict freedom arbitrarily ("arbitrarily" again meaning in contradiction to the accepted system).

Fifth, *respect for the necessities of nature* in the strictest sense. It is unjust to inflict punishment for non-fulfilment of a law or command which is impossible of fulfilment.²

In setting forth these five postulates I mean to say that justice demands a conformance with all of them. Any action anywhere can be branded as unjust, in an interdenominational language, if it violates any one of the five. It can be branded as objectively unjust if it violates them objectively, and as subjectively unjust if the acting agent knows that he violates them.

¹ As for instance Hobbes used the term "just" in a narrower (positivistic) sense.

² The fifth postulate is entirely independent of any system of values, as is partly the first. The other three, although referring to a particular system of values, are invariable in themselves. See Section v, below.

By summing up these postulates we would obtain a minimum definition of justice. It would be more than an arbitrary or convenient definition to be used for some arbitrary or convenient purpose, and more than a merely historical definition. It would be the exact description of a phenomenon, a universal form of human thinking and feeling, based on universal characteristics of human existence.

One may be inclined to add other absolute postulates, to declare, for example, that the scheme of values must not only be applied to all cases without arbitrary discrimination, but must be general also in the sense of being acceptable by everyone. But this would mean to switch to a relative first principle of justice, the validity of which cannot strictly be proved. Many group worshippers, many revelationists, do not care whether their scheme of values be generally acceptable, but *they* accept it, and that suffices to make actions conforming with it appear to them as just. Even in so deviating from other views, however, they would not be able to deny that all the absolute elements enumerated above are indispensable elements of justice.

Others will be tempted to derive absolute postulates from what Radbruch has called the aggressive side of relativity. Science, though failing to tender either demonstrable ultimate values or conclusive evidence against such values when tendered by believers, is nevertheless aggressive, because it is bound to refute the demonstrability of controversial values whenever it is asserted. Thus science offers weighty arguments against attempts to force values upon the people against their will, and thereby strengthens liberal and democratic postulates of toleration and consent.¹ Yet it would go too far to ascribe to such arguments absolute validity.² There are counter-arguments which, while not refuting the democratic postulates, should prevent us from considering them as demonstrable and absolute, valid for all times and conditions,

¹ Cf. Radbruch's fine article of 1934, cited above.

² As Radbruch apparently does (*ibid.*, p. 110), thereby, I think, overshooting his mark; this will be discussed in the notes on literature.

in the scientific sense. The revelationist or the authoritarian, in good faith, may draw opposite conclusions from what he would call the potential stupidity of the masses, their preoccupation with material interests and the irrelevance of mere numbers. But in so doing he would again not be able to deny the validity of the postulates mentioned above.

In this article I cannot enter into the details of all five postulates. Closer analysis would reveal a surprisingly great significance in each of them. Instead of giving a superficial survey of all five I prefer to concentrate on a single item, and for this I shall choose the first. In a concluding section I shall try briefly to clarify at least the meaning of the other four.

IV

The Postulate of Truth

The postulate of truth has implications with regard to both the facts of the case and the yardstick that is applied to them.

First, as to the *facts*. Any discriminatory statement, such as that someone has stolen, is perfectly just only when it is true. This applies not only to any kind of moral or legal judgment but also to judgments on skill or achievements. Whatever may be the merits or the failings of Alexander, Caesar or Napoleon, of Lenin, Mussolini or Hitler, of the Jews, the Germans or the Japanese, they have a claim to truth in the final judgment concerning them. This claim cannot be denied even to a Nero or a Judas Iscariot.

Many of us may go farther. To correct a falsification of facts, to get the facts stated and acknowledged as they really are, may appear to us as the most important aspect of justice, even more important than the redress of grievances and the punishment of the evil-doer. In the last judgment, as it is envisaged with deepest awe by religious feeling, a last trumpet will sound and a voice will tell us all the facts about ourselves as they really were and not as we wish them to have been. For the religious this voice

in itself, this statement, anticipated in hope and fear, constitutes justice. Not to everyone will truth have such dominating weight. But even if one think of truth very lightly and laugh at the idea of a last judgment, even if one think that lying is natural and valuable from every point of view, one's inner vocabulary will not call true what is a lie nor just what is contrary to truth. No one will be able to deny that his sense of justice, his idea of justice, demands truth as the basis and as part of justice.

This remains true even though human nature builds everywhere on lies and illusions. Man, as has often been said, has a desire to conceal the truth not only from others but also from himself, be it for meanness or for shame or for his limited capability of looking into the face of truth. We are seldom aware to what extent we lie to ourselves every day, as if bound to do so for self-preservation; consciousness of the whole truth would threaten to destroy us. In practice this passionate impulse toward falsehood ("illusion") penetrates deeply into the realm of justice. The greatest crimes against truth and justice are generally committed in the name of truth and justice, and very often are really believed to be committed at the command of truth and justice. People lie to others and to themselves that they believe something to be true and therefore just. But this does not affect the close connection between justice and truth. On the contrary, the very fact that the proclamation of the justice of a cause, even when the facts are consciously distorted, is always associated with the contention that the factual allegations are true, or at least that they are thought to be true, merely testifies to the inseparable connection between the ideas of justice and truth.

An enormous field is covered by this first implication. In most cases in which justice is questioned the real issue is the truth of a factual statement. An illustration from the political sphere is the Dreyfus case in France. When this Jewish officer, arrested in 1894 on the charge of selling military secrets to Germany, then condemned, publicly degraded and deported to Devil's Island, was finally acquitted in 1906, at the second retrial, it was the factual

statement (that is, that the first conviction had been based on forgery and that he had not sold secrets to a foreign power) which settled the case in its most important aspects. That Dreyfus was restored to office and promoted to the rank of major was a matter of secondary importance. What later became of him did not matter very much; only a few will remember that he served as a colonel in the World War and died in the nineteen-thirties. The important thing was the statement and acknowledgment of the facts. After that the appeal to the idea of justice had a firm basis, at least as far as the statement was accepted to be true. That a question of justice can thus be reduced to a factual question is the rule rather than the exception. In most cases it is alone a factual controversy, a falsehood, that makes possible a difference in judgments.

The postulate of factual truth entails several implications that have greatly figured in the history of justice. Here belong all those procedural elements that are meant to facilitate an ascertainment of the true facts, such as the provisions designed to safeguard the evidence, and the demand that the litigants be granted a fair hearing ("fair" meaning that they should be granted a full share in the ascertainment of all relevant facts), that they be allowed to prove their contentions, that the judge be unbiased. These requirements are not based on separate ideas; they are but applications of the one postulate of truth. Their gradual refinement in the course of legal history reflects the progress from rough thinking to less superficial thinking, from ready credulity to watchfulness in regard to rash conclusions, the transition from the ideal of peace and order and authority as highest values to that of respect for individual liberty. But throughout this development the idea that a judgment is objectively just only when it is based on truth has always been the same; it was so even when the procedure was rough and inadequate.

Important as are the factual implications of the postulate of truth, if it had no further implications for justice its usefulness could be belittled, because of the relativity of justice in the field of *evaluations*. In view of the multitude of potential evaluations

one might consider the postulate of truth worthless in the most important questions of justice. This stultifying conclusion has been very widely drawn. But there is a fallacious short cut in this inference. The postulate of truth invades the very basis of relativity, and does so in several ways. First, most evaluations are based on assumptions concerning facts, and these basic assumptions may be proved untrue. Second, the evaluation may be shown to be based on poor thinking, and susceptible of correction by better thinking. Third, the sacrifices necessary to attain the treasured values, the implied evils and the risks involved, may be proved to be greater than was expected. Fourth, the consequences of the attainment of the accepted values may be proved to be different from what has been assumed.

Here is another link between truth and justice. It has often been clearly demonstrated that in the discussion of values there is a certain field left for science, even though ultimate values cannot strictly be proved. But the link between truth and justice is still closer than this. Science, and truth through science, can do more than enter into such clarifying discussions from outside, can do more than prepare the ground for a more considerate choice from the list of potential values. If this were all, the individual, in his ideas of justice, would still be completely free to follow or not the signposts put up by truth. But in this he is not free, at least not completely. The idea of justice in itself demands truth; it demands, and enforces its demand, that we direct our choice according to our convictions or belief. Whenever we have been convinced by truth we cannot escape following its signposts in our transtraditional ideas of justice. When we come to see that our convictions or beliefs were based on erroneous assumptions concerning facts, or on poor thinking, they may gradually break down and change; and when they do so, even if we try to conceal it, our transtraditional ideas and feelings of justice will change apace. We cannot help it. Science, in fighting for truth, simultaneously remodels evaluations, *and along with them the ideas and feelings of justice.*

A priest who wants witches burned alive certainly cannot be convinced, as long as he believes that there are witches who make a contract with the devil and that God has ordained them to be burned, that his undertaking is unjust. But it may be attempted, first, to prove that the indicted woman is not a witch, so that even in the priest's system of values she ought not to be burned, and second to prove that God never ordained the burning of witches or that there are no contracts with the devil in the mediaeval concrete meaning of the transaction. If this attempt is successful, and convinces the priest or at least his adherents, the evaluation of certain actions as evidence of witchcraft and deserving of the death penalty will *necessarily* change.

By such deeds science has often changed people's sense of justice, and will continue to do so. Although it has been unable either to prove or disprove the existence of God and of revelation, science was nevertheless able to prove that no Zeus, Hermes, Dionysus or Aphrodite lived on the top of Olympus, behaving in the way people thought they did; and gradually justice could not continue to regard offenses against these gods as criminal. It was not the Jews or Christians, it was science which emptied Olympus of the old gods, preparing the way for Christianity. Although science has not been able to prove how the world was created, it was nevertheless able to prove that sun and stars do not move at a distance of a few miles around a disk-like earth, that eclipses of sun and moon are not brought about by monsters swallowing them for a while; consequently it was no longer possible to maintain that burning those who denied these beliefs was objectively just. In the same way, a belief that another race consists of murderers and knaves may be proved wrong. To the belief that inter-marriages produce inferior progeny, science may contribute its statements.

If science is not able to contribute any conclusive statements, or if the "believer" is not capable of understanding them or if his belief is not affected by them, he will continue to orient his sense of justice toward what he thinks to be the superior truth; we

cannot, for that matter, even disparage his righteousness. But those who modify their beliefs, their convictions, under the impact of science, change the responses of their sense of justice (although often they have several lines of defense against science).

This magic influence of truth on the ideas of justice is not restricted to the correction of factual assumptions in evaluations. The latter may also be influenced by poor thinking, such as the confusion of several meanings of the same word, and other logical fallacies. Poor thinking may be corrected, and inevitably the ideas of justice will be affected apace. Here once more science comes into a broad field which is entirely open to its activities and assaults.

To illustrate, the fanatic equalitarian, valuing everything in terms of equality, is often deeply confused in his thinking. He has not yet understood (though he may be made to understand) that in his demand for equal distribution he must make up his mind as to whether he means equal distribution per capita or according to need or work, distribution of substance, happiness or "opportunity" (and what that is to mean), equal distribution all over the world or only in his country. Further, in each case the feasibility, the sacrifice of other goods (also of other yardsticks of equality) and the consequences of every proposal must be considered. If the equalitarian, in trying to find answers to this demand for specification and articulation, finds himself hesitating and his belief turning uncertain, he will come to moderate if not to change his ideas on highest values, and his ideas of justice will be changed correspondingly.

Again the libertarian may be led to think over what he really means by liberty. Many an individual, because in a certain case he definitely desires liberty, thinks he desires it in all cases, whereas better thinking would convince him that actually he would wish to restrict liberty in many situations which he has not yet thoroughly considered. The majority worshipper by articulate thinking may modify his ideas on what he really worships. Not only may the group worshipper who disparages another group

be corrected in his factual convictions, but also his thinking about the separation of groups may be made more articulate and considerate in regard to the means to be employed and the consequences of the application of the various means. These few illustrations may stand for a thousand others.

After going through all the turnings and readjustments of articulate thinking each individual is still the only judge of his ultimate evaluation; yet he is free to make his choice only in the framework of his modified convictions and beliefs. The more he thinks, the less sweeping and disastrous his choice is likely to be, and his ideas and feelings of justice will be modified correspondingly. At the same time his feelings may become stronger with respect to the absolute items when the issue is, for example, falsification of facts, or poor thinking.

There is one apparent exception to the postulate of truth, but it is only apparent. Someone may consider as "just" a lie for a higher cause, such as a doctor's lie to a dying person about the nature of his disease, denouncing as a charlatan another doctor who told the truth. Yet even such an act cannot be considered just unless at least it is *true* that the act is committed for what is *truly* believed to be the higher value. Also the illustration is misleading because the interest of the other doctor is so slight that the injustice committed against him may be considered negligible; perhaps he would agree. Declaring a man guilty of a crime one knows he has not committed, yielding to the mob, will be more generally held unjust, however strongly the act may have been prompted by a true desire for the preservation of peace and order. Pilate, in surrendering Jesus to the mob, at least washed his hands publicly, thus signifying that he did not consider Him guilty.

From what has been said it follows that in the ocean of relativity of values we are not marooned helpless on a barren rock; rather we are on a broad and fertile continent, free to settle and cultivate the soil. Realization of the relative elements in justice should be not the knell of our endeavor to establish more in-

trinsic justice, but rather the most serious summons that we should rise early and go to work. A precious wreath awaits science if it will wage a candid fight against superstition, against factual errors and poor thinking: the triumph of truth will carry the triumph of justice.

v

A Short Note on the Other Absolute Postulates

I have not space enough to develop here in the same extensive way the significance of the other absolute and universal postulates of justice. A few indications which will stress the limits rather than the importance must suffice. The three postulates that refer to an accepted system of values (those requiring that the system be general in character; that cases equal under it be treated as equal; and that freedom be not restricted unless in line with the system) may at first sight seem merely relative. This is a fallacy. Different as the reference systems may be, still the three postulates as such are universal, invariable postulates of justice with a particular substantial meaning. Their usefulness may appear slight in some cases, for example when the reference system accepts slavery and outlawry as valuable and necessary institutions. Nevertheless all three hide great potentialities. The better we succeed in eliminating unwarranted discriminations in our evaluations, the more the three postulates gain in weight and importance. Under a "perfect" system of evaluations they are, second only to truth, the most important among the guarantors of justice.

The fifth postulate, guaranteeing respect for the necessities of nature, is completely independent of any reference system of values. Nevertheless it may appear particularly insignificant, because its application to human freedom is limited to the real necessities of nature, with no regard for moral and ethical considerations beyond this narrow pale. Thus the postulate guarantees the injustice of a command which would order someone not

to think, or to work continuously for twenty-four hours a day, or to work without eating, or not to flinch while being executed.¹ But it would not proclaim the injustice of a command to suffer arrest and even execution as a punishment for disobedience of an order that could have been fulfilled, or as a measure imposed for reasons other than punishment (such as safety of the state), because nature does not prevent us from being arrested or executed in the same way as it prevents us from not thinking or breathing or sleeping while alive. The justice or injustice of such arrest or execution must therefore be judged by the other absolute postulates or subsidiarily by the accepted system of values; it cannot be judged by the necessities of nature.

Even this postulate is seen on closer examination to have a potential importance. It is true that in practice there may be little that is unjust because objectively impossible of fulfilment. Every authority will try to avoid commands that disregard the necessities of nature. But in regard to what is possible there may be a subjective difference of opinion; the receiver of a command may differ from the authority in his opinion. He will feel treated unjustly whenever he subjectively thinks that something is impossible of fulfilment, for instance a demand to work exceedingly long hours or with exceedingly little food; and he will feel so even if he completely approves of the hierarchy of values that has prompted the command. This may make him a rebel for the cause of justice in cases where the hierarchy of values is not an issue.

Controversies of this kind make all five absolute postulates more important in practical life than their sober enumeration discloses. Although accepting some scheme of evaluations in general, people are likely to deviate in their evaluations whenever the scheme as such, or the "equal treatment of equal cases," re-

¹ Hobbes was on the right track when, in declaring that execution by order of the king is just, he maintained that nevertheless the convicted person has an inalienable right to defend himself in the execution (*Leviathan*, Ch. 21). He spoiled his proposition by declaring the king's actions always just and leaving unsolved the antinomy of justice and inalienable rights.

sults in their personal disadvantage, or when its application interferes with treasured precincts of their personal liberty. Then they will demand further articulations, considering as unjust measures which the authority, subjectively sincere, may consider just. Such a clash of interpretations may lead, when it is least expected, to a "purge" of systems of evaluations which had been generally accepted in inarticulate terms.

In the list of absolute postulates it is the aggregate of all the items, and their interrelation, rather than any single item which gives them their significance. Whatever this significance may be, science must try to state soberly and objectively what is relative (variable) and what is absolute (invariable) in justice. The great importance of the relative part cannot be denied, but neither should the great importance of the absolute part be overlooked. Politics as well as science should make the fullest use of it.

LITERATURE ON THE THEORY OF A SOCIALIST ECONOMY

I

THE economic theory of a socialist system has been developed independently of any influence of socialist theory, entirely on the basis of modern so-called orthodox theory and by academic theorists.¹

It is fitting to open the biography of the theory with a great name, that of John Stuart Mill. A fair appraisal will lead to the conclusion that practically everything is contained in his famous, and much misquoted, proposition² that the laws of production "partake of the character of physical truths," while the distribution of wealth "is a matter of human institutions solely." This proposition does not mean that one might arbitrarily raise wages and lower profits, for wages and profits are parts of the system of production as well as of that of distribution. It does mean that, although the function of wages in the accounts of production is the same under any system of ownership and operation, changes of ownership and operation would change the distribution of income. What matters for production is the interest charge as a cost item; to whom it is paid out makes no difference to production but makes possibly all the difference in the world to various classes of income recipients. If capital is a factor of production indispensable to any system, and interest the value of its contribution and the charge to its user under any system, then the various economic systems are plainly distinguished according to the social groups to which they allocate ownership rights and the title to an income therefrom.

But if everything was implied in that proposition, not everything was explicitly said. An elaborate formulation, however, was not long in coming. As early as 1889 Friedrich von Wieser, perhaps not the strongest but in all probability the most original and comprehensive

¹ The only exception, according to my knowledge, is Barone, who was a military officer but closely followed Pareto. Two passages in Lange's book (Oskar Lange and Fred M. Taylor, *On the Economic Theory of Socialism*, Minneapolis, 1938, pp. 57, 141) suggest that Pareto and Barone have been followed by younger Italian writers who have elaborated their ideas. Unfortunately Lange fails to give further information, and that literature is inaccessible to me.

² John Stuart Mill, *Principles* (London 1848) vol. 2, ch. 1.

thinker among the founding fathers of modern theory, devoted his most famous book¹ to the proposition that value calculation is identical under capitalism and socialism. The "natural value" which gave the book its name is defined by Wieser as "the value which results from the social relation between the quantity of goods and their utility, or the value in a communist state . . . the value which a totally united and utterly reasonable community would discern." "In the communist state . . . ground rent does not constitute a personal property but is singled out of aggregate social income only in calculation, for reasons of expediency, in order to ascertain the amount contributed by the individual units of land to total revenue, and to judge therefrom which expenditures may and should be made in order to secure those contributions." "The socialists constantly overlook . . . that value in our present society has two tasks. One is to serve as a title to a personal income. . . . The other service of value . . . regards the economic weighing of goods against one another and of the various uses made of the goods against one another." "Because land and capital shall no longer belong to any individual but to the state, is therefore the state to consider land and capital valueless and to use them in production regardless of the directions inherent in value?"

In more modern terms Wieser's position may be summarized as follows. If value is primarily the significance for his own welfare which an individual attributes to certain consumption goods in given circumstances of his need and equipment, or the significance which "the totally united society" attributes to those goods in given circumstances of its need and supplies, then this value is reflected in the factors of production needed to secure it, and is divided among them according to the laws of imputation; for all practical purposes the latter coincide with Clark's laws of marginal productivity. It is a commonplace that the maximum welfare demands such uses of the factors as to produce equal marginal values per unit of factor in the various industries; the factors must be used according to their potentially highest values, and all other potential uses, being productive of less value, must be barred. Thus in this problem the data to be considered are the demand for the various goods, the supplies of both goods and factors, and the technical coefficients of the various branches of production; they are what determine the values of goods and factors. Wieser, though not a mathematician, nevertheless re-

¹ Friedrich von Wieser, *Der natürliche Werth* (Vienna 1889) tr. by C. A. Malloch (London 1893).

sorted to a system of equations to indicate the synchronization of all the decisions in one elastic process of interaction, and thereby he anticipated not only the idea but also the form of presentation credited to Barone by all recent writers on the subject. Nothing in this reasoning suggests that it is applicable only to a private economy; the logic of valuation and imputation is one of demand and supply and technical complementarity and supplementarity, independent of ownership questions.

Value appears in price, but it is not merely identical with price; the latter may be defined as the coincidence (at the margin) of two values exchanged for each other, be they primary or derived values, and it presupposes imputation, that is, the value to be expected from the use of a unit of factor. This imputation needs no manifestation in price but can be carried out without private exchange of values, although certainly not without some objective measure of value.

Next in the list are Pareto and Barone, whom recent English-written publications credit with having inaugurated the theory of a socialist economy. Pareto¹ rather briefly suggested that the calculation under socialism would be parallel to that of a competitive market, and that in the absence of real prices accounting prices might be used for orientation.

On this basis Barone produced a voluminous essay,² in his concise mathematical style, in which he applied the Paretian system of equations in order to demonstrate that "all the economic categories of the old regime reappear: prices, salaries, rent, interest, profit, saving," and that the ministry, through a deliberate arrangement, must satisfy the two conditions that are the automatic results of free competition, that is, the equalization of prices with cost, and the attainment of minimum costs of production.

The institutional structure envisaged in this essay is one familiar in recent literature: citizens receive money equivalents of their services and are free to decide which goods to buy, and are also free to choose their occupations; but all properties and their management are in the hands of the government. The system of equations which gives the correct allocation of resources and labor is identical with the one reflecting the operation of free competition. Nonetheless Barone seems

¹ Vilfredo Pareto, *Cours d'économie politique* (Lausanne 1896-97) vol. 2, pp. 364 ff.

² Enrico Barone, "The Ministry of Production in a Collectivist State," published in Italian in 1908, reprinted in English in *Collectivist Economic Planning*, ed. by F. A. von Hayek (London 1935).

to suggest that what is a theoretic synopsis in the case of free competition must be immediate practice in the case of socialism: that the equations do not merely give an abbreviated and systematized summary of the ministry's individual decisions, which in themselves are of a very different nature, but must be calculated and solved by the ministry as one huge equation system, with technological coefficients and concrete data for supply and demand schedules. Hence Barone's skeptical reference to the "laborious and colossal centralization work of the ministry (assuming the practical possibility of such a system)."

Between the contributions of Pareto and Barone the Dutch theorist N. G. Pierson had published an article,¹ occasioned by his controversy with Kautsky, which was designed to prove that the familiar value categories of the capitalist order must be preserved by a socialist order if it is to avoid the loss of any orientation in production. The paper reads as a warning addressed to those ignorant of the nature of the economic problem; it is a lucid exposition of the problem but explicitly leaves the answer to further discussion.

Last in this list of distinguished prewar contributors to the theory is Gustav Cassel, who approached the problem on the basis of his "principle of scarcity."² As natural demand for goods, and for the factors productive of them, exceeds any possible supply, the economic problem consists of reducing demand to the size of supply by putting prices on the supply. The resulting satisfaction of demand must be equal in all directions—whatever that may mean in a system so emphatic about shunning any categories of value and utility. Thus for the socialist economy the rule to be followed is to put prices on the factors of production—labor, capital and land—and correspondingly summed-up prices on their products.

This, of course, is not quite a strict theory because the price of the factor depends on demand and supply, the former being determined again by the demand for the finished good and its price. The suggestion is of a nature closer to practical advice than to mathematical strictness. We may assume that the moment a socialist system emerges from a capitalistic one it may indeed use the inherited prices of the factors as its starting point, and from them calculate the prices to be demanded for supplies of final goods. These supplies would indeed change under the pressure of a demand which has itself

¹ Nicolaas Gerard Pierson, "The Problem of Value in a Socialist Society," published in Dutch in 1902, reprinted in Hayek, *op. cit.*

² Gustav Cassel, *Theoretische Sozialökonomie* (Leipzig 1918) tr. by S. L. Barron (new ed. London 1932).

changed with a new property and income distribution, and this would lead to mutual pressure between the prices of goods and of factors and would thereby justify the all-inclusive equation system. But to start with traditional cost items and to change them only under pressure of a changing demand for their products, and hence for their services, seems to be an entirely adequate theory of the procedure, the first such suggestion in the history of the doctrine.

Also from the point of view of systematic theory Cassel's approach is worthy of attention. It has often been pointed out that his method is not causal but teleological. He does not describe a sequence of causes and effects which through reactions and repercussions leads to the coincidence of demand and supply; he describes means of bringing demand and supply into coincidence. He may thus be said to present, at a late moment in the history of economic thought, the fullest elaboration of the classical liberal thesis of a pre-established harmony in the economic world; the implication of his position is that if harmony is the condition *sine qua non* of a rationally organized world it will assert itself, although the participants in the game are unaware of its true meaning. This, however, remains a miracle to be explicitly demonstrated. On the other hand, the fact that a conscious will can succeed in deliberately applying a knowledge of the end and the means is no miracle at all; it is merely the verification of a theoretical truth. In this sense Cassel's doctrine, like Wieser's, is much closer to socialism than to capitalism.

II

The postwar period was inaugurated by the famous theoretic attack on the economic system of socialism that is connected with the names of Ludwig von Mises and Max Weber. The historical context had entirely changed, and the trend of the argument was reversed. In Wieser and Cassel the motivating interest had been methodological; they had studied and imagined socialist economy in order to find out which features of the capitalist system are of a general, supra-capitalistic character, and which features are related to the special institutions of capitalism. Political aspects of the problem had not been seriously considered by these authors because socialism appeared to lie beyond any limit of practical possibility. After the war, however, the problem of a socialist economy suddenly acquired practical importance, and the severe criticisms of these scholars were intended and received as contributions to the political struggle. This, of course, is not to say that these men were interested in anything but the truth; their prob-

lem, however, was not the nature of capitalism but the economic feasibility of socialism.

It would be absurd to doubt Mises' familiarity with the reasoning on this subject of his master Wieser, though no trace of it can be detected in his writings.¹ Mises may have preferred to cover with silence what must have appeared to him a formidable blunder on the part of an otherwise estimable man. Hayek makes a short reference to Wieser, only to find, however, that his conclusions were without practical applicability in the "absence of an agreed common scale of values," because "there is no scientific criterion which would enable us to compare or assess the relative importance of needs of different persons."² It does not occur to him that nothing in Wieser prevents the use of purchasing power as a common yardstick; under socialism it is only distributed differently from its distribution under capitalism, a point developed by Wieser's postwar followers. Similarly Georg Halm, who owes more to Cassel than to the Austrians, blames his master for not furnishing an explanation "that will fit actual pricing processes" in terms of cause and effect, and offering instead "an ideal price scheme to which actual pricing processes are to be fitted." "The pricing process has not the teleological character that this implies."³ Halm's objections suggest that he considers an economic system workable only if it works automatically. The fact that a socialist economy is not automatically workable requires no discussion; this constitutes its definition. That there are, however, objective standards of rational orientation for a socialist economy was asserted by Wieser and Cassel and disputed by Mises and Weber. Their arguments were novel but it is incorrect to claim the discovery of the problem for Mises, and it is unintelligible that this should be done by Lange,⁴ who follows the affirmative line of argument inaugurated by Wieser and Cassel.

Mises' and Weber's reasoning raises the question of adequate value calculation, especially for production goods, including the factors, and contends that this is attainable only under unrestricted private property. According to Mises only private, absolutely decentralized

¹ Ludwig von Mises, "Die Wirtschaftsrechnung im sozialistischen Gemeinwesen" in *Archiv für Sozialwissenschaften*, vol. 47 (1920), reprinted as "Economic Calculation in the Socialist Commonwealth" in Hayek, *op. cit.*; and *Die Gemeinwirtschaft* (Jena 1922, 2nd rev. ed. 1932) tr. into English by J. Kahane as *Socialism* (New York 1937).

² "Nature and History of the Problem" in Hayek, *op. cit.*, p. 25.

³ Georg Halm, "Further Considerations on the Possibility of Adequate Calculation in a Socialist Community," in *ibid.*, p. 185.

⁴ *Op. cit.*, p. 57.

property makes the owner's income strictly dependent on the value he can secure for his property. Government officials, whose incomes are differently determined, have no incentive to a special effort; moreover, to the government itself, if it owns everything, losses in one place cancel out with gains in another place, and there is no special interest in the magnitudes and causes of those gains and losses. Only under unrestricted private property, therefore, are the valuations truly expressive of the objective market situation and only there can they be used as guides in the labyrinth of possible competing decisions. To Max Weber¹ the struggle between the market parties is the indispensable condition of accuracy in calculation, with the paradoxical consequence that what is advocated as a higher form of rationality in society, that is, the deliberate coordination of individual actions, wrecks the technical foundation of rationality, the objective standard of measurement.

Mises and Weber found a powerful ally in Boris Brutzkus. Analyzing the chaos of arbitrarily fixed prices and costs in the initial years of the Russian experiment, he concluded² that this was inherent in the adopted principle of central regulation; thus he appeared to offer factual verification for Weber's and Mises' deductions. Among those who followed these three (Spann, Gottl, Liefmann and others) Georg Halm is the only one who added substantially to the argument.

III

With these writings the initiative in the discussion shifted entirely to the skeptics, and in the German discussion of the following years the spokesmen of the theory of socialist economy were on the defensive, always taking the objections of the critics as their starting point.

An explicit discussion of the various items in Mises' criticism was given by Marschak. What makes prices determinate is, according to the accepted theory, the infinitely large number of participants in the market; in the absence of this condition price may settle down anywhere in an interval that grows as the number of participants diminishes. Marschak concludes³ that in the case of trades organized as formal monopolies the calculation would have to use not determinate prices but price intervals with an upper and a lower limit, just

¹ Max Weber, *Wirtschaft und Gesellschaft* (Tübingen 1921) p. 55.

² Boris Brutzkus, *Die Lehren des Marxismus im Lichte der Russischen Revolution* (Berlin 1928, Russian ed. 1921) tr. into English as the first part of the same author's *Economic Planning in Soviet Russia* (London 1935).

³ Jakob Marschak, "Wirtschaftsrechnung und Gemeinwirtschaft" in *Archiv für Sozialwissenschaft*, vol. 51 (1924).

as sound business calculation does today when considering both favorable and unfavorable possibilities. On the other hand, the existence of the interval does not suggest the absence of one final determinate price; it is comparable to the situation today, when a price is found between monopolies or in the settlement of a wage dispute, not on strictly demand and supply grounds but through supplementary sociological factors of social cohesion.

Against the contention that no prices could be found, at least for production goods, if the entire process of production were amalgamated under one control, Marschak maintains that they could be derived on the one hand from commodity prices and on the other from a free labor market, these two factors between them determining the values and quantities for the intermediate levels. Finally, to Mises' assertion that in the absence of an exact foundation of calculation a socialist economy could not be extended and raised to higher levels, Marschak replies that it is a relative emancipation from the ties of the market automatism which imparts to our great enterprises the scope for their innovations.

Carl Landauer and the present author opposed to the critics a positive theory of a workable socialist economy. Landauer's starting point is a minute investigation of the related theories of imputation and marginal productivity.¹ J. B. Clark's concept of functional distribution has been defined by its author² as deciding on the amount of income that can be secured in a particular way, regardless of who is in charge of that way, while personal distribution decides, of course, on the amount that the individual can secure. Landauer enlarges the concept of functional distribution to mean the shift of functions not only among individuals within a given order but even among different orders, thus using this convenient instrument for an elaboration of Mill's suggestion and Wieser's theory.

In his main work³ Landauer expresses his position clearly in the following words: "It is imperative to ascertain the significance of individual goods for the result of production, so that first for the individual process and then for the total economy each unit of a category of goods can be marked with a special magnitude of significance which is expressive of its utility in the process" (page 116).

¹ Carl Landauer, *Grundprobleme der funktionellen Verteilung des wirtschaftlichen Wertes* (Jena 1923).

² *Distribution of Wealth*, p. 6.

³ Carl Landauer, *Planwirtschaft und Verkehrswirtschaft* (Munich and Leipzig 1931).

This magnitude is called value and is theoretically ascertained by the marginal productivity procedure, under the variation method, just as in today's practice it is ascertained by any businessman who considers, on the basis of its value for his enterprise, whether or not to secure the service of an additional unit of productive factor or to dispense with one. This value is determined, of course, by the relative plenty or scarcity of such units in the presence of a given demand for the final goods and a given technological knowledge. From here it is only one step to the central thesis of the book, that in a planned economy and in a free market, assuming equal needs of consumers and equal equipment of materials, labor power and technical knowledge, the same processes are required—simply following the signals of value. The proposition may well be said to anticipate the entire further development of the theory, including the most recent publications in English.

This development rests on the principle of applying to the socialist economy the propositions defining the equilibrium of the market. This principle does not mean that the two orders are equally good but only that the task is identical in the two of them. Monopolies, crises and other present evils suggest to Landauer the desirability of substituting a planned for a free market economy. The solubility of the calculatory task in the planned economy too is implied in that principle. In examining how prices are formed in the market we see that the various final products compete for the various factors of production. But if the demand for the goods and the supply of factors are given, it makes no difference whether they are represented by individuals struggling for their individual interests, or confront one another "on paper." Whether the productive factor be an anonymous unit or be represented by a person, economic law demands that it be invested where it produces the highest value and that demand be satisfied as cheaply as possible; by shifting a limited marginal quantity of a factor from one use to another, and observing whether its value thereby increases, the optimum arrangement is found. For practical purposes Landauer recommends not a system of such strict centralization but a measure of decentralized cooperatives with a genuine market and genuine prices between them.

As Landauer's approach was clearly inspired by Wieser's principle, so the present author's first publication on the subject¹ represented Cassel's line of reasoning; in other words, his solution was less theoretically comprehensive and more directly practicable. With special

¹ Eduard Heimann, *Mehrwert und Gemeinwirtschaft* (Berlin 1922).

institutional assumptions, not to be discussed here, this first approach was focused on the establishing of public selling agencies for the several industries. This raises the problem of monopoly and the inherent arbitrariness of price policy, and consequently requires that a strict rule for price policy be laid down. The monopolist may, but need not, restrict his output; he can just as well consciously regulate his output so as to attain the cost price which a competitive market tends to establish by influencing private decisions. This price is indicative of equal satisfaction in all directions of demand, and of maximum total satisfaction under given conditions of income. The monopolist, in other words, "accepts the price at which demand absorbs supply" (the price which clears the market, in Pigou's recent formula) and, depending on whether a gain or loss is included in this price, he increases or reduces the supply until it is absorbed by demand at the cost price.

In a second contribution¹ a very different approach was sought, one intended to serve as an extreme example proving the calculatory rationality of the organization analyzed, as distinguished from its psychological practicability and its political desirability. Pursuant to suggestions by Landauer and Marschak incomes were assumed to be made independent of the productive services and to be allocated arbitrarily, in an equalitarian or any other way, by a powerful government, whatever its origin, composition and spiritual nature. In this case the spending of incomes in the presence of an original supply of goods would again determine the significance of final products for consumers, and form the starting point for determining the prices of production goods and factors. The condition to be strictly observed in the initial allocation of incomes is that in the aggregate they be equal to the aggregate cost of production taken over from the preceding organization. The separation of individual cost from income implies the destruction of the pecuniary incentive for income recipients to search for the most useful, best paying direction of their services; consequently this incentive must be supplemented by a dictatorial allocation and shifting of jobs. Psychologically this would presuppose the perfect willingness of all people to do their best independently of the pecuniary incentive.

For this and the political reasons the author, in a third² and a

¹ Eduard Heimann, "Zur Kritik des Kapitalismus und der Nationalökonomie," first published in 1926, reprinted in *Kapitalismus und Sozialismus* (Potsdam 1931).

² Eduard Heimann, "Über Konkurrenz, Monopol und sozialistische Wirtschaft," first published in 1929, reprinted in *Kapitalismus und Sozialismus*.

fourth¹ contribution, chose the other extreme institutional arrangement as a line of approach—a preservation of the competitive market with socialized properties. With a multitude of selling and buying units in every market, except where there is monopoly for technical reasons, and with the managers interested in the individual enterprises by devices similar to those of today, the mechanism of price and income formation is preserved. In particular, the interest rate would depend on the demand for the needs and projects of the various industries and on the supply of capital concentrated in the hands of the state, without any danger, however, of that supply being withheld for monopolistic purposes; thus the two independent sides of the market could not fail to establish a correct rate of interest between them.

At the same time Georg Klein published a book² which deviated from the other writers in some of its economic assumptions. His claims for a socialist economy go beyond those of Landauer and the present author in that he flatly rejects the idea of free formation and oscillation of prices. To him the change appears incomplete if it concerns only properties and incomes; he demands a stabilization of prices independently of such fluctuations of demand and supply as arise also in a socialist economy from changes in crops, tastes and techniques.

His solution of the problem is the one now familiar in the form of the "ever normal granary": prices must be kept somewhat above their lowest possible point in order to store up in good times for additional sales in periods of shortage. When the price is thus kept rigid in industries whose products are freely producible, it must be supplemented by a direct variation of quantity. Here no ups and downs of prices indicate possible changes in the relative demand situation; such changes appear directly as surpluses or deficits of current supply at the stable price. By the intervention of the reserve the surpluses and deficits of supply are prevented from changing the price, but the further orders to production must be the same as if the price had reacted to the change in the market. In a decentralized order, where total supplies are not visible, price movements are indispensable indexes; in a centralized order, however, supplies are directly known, and therefore the changes of demand appear in quantitative form and need no duplication in terms of price movements.

¹ Eduard Heimann, *Sozialistische Wirtschafts- und Arbeitsordnung* (Potsdam 1932).

² Georg Klein, *System eines idealistischen Sozialismus* (Vienna and Leipzig 1931).

If we examine this arrangement from the point of view of value theory, it is obvious that the loss implied in any shortage would weigh more than the gain of a temporary abundance; this is tantamount to saying that the storage policy increases welfare in the long run and in the average of the period. Also, from the point of view of the total economy, Klein's system keeps satisfactions of demand strictly equal in all individual markets, according to the maximum condition; and satisfactions are always as large as production permits, except during the original storing up, before the volume deemed necessary is attained. There is no reason to suspect that the fluctuations to be compensated by storage would be so great that the loss during that original storing period might outweigh the later gains of stability.

On the other hand, this policy is plainly not applicable to all commodities, nor is it applicable to labor and capital. Even Klein drops it here and assumes that if the projects under consideration demand more capital, the rate of interest must be raised so as to raise commodity prices and set free resources for those additional investments. Moreover, Klein would be the last to appraise the utility of his pricing system only in the economic terms suggested above. Nevertheless, he seems to underrate the dangers of an extreme centralization, dangers which had caused both Landauer and the present writer, in their practical considerations, to turn their backs on their own analyses of a strictly centralized system. This, of course, does not preclude the applicability of Klein's suggestions to particular fields, in combination with other devices in other fields.

The books of the three last named authors were published in the midst of the economic crisis and could not fail to have its problems at heart. This constitutes an essential extension of the field of investigation. In the first phase of the development, determined by methodological ends, there was only a comparison of the pricing mechanism of the socialist economy, and the process of income formation, with the same processes under capitalism. In this second period after the war emphasis conspicuously shifted from the problems of justice involved in income distribution to the problems of operativeness involved in the crisis. Popular socialist discussion took it as evident that a unified management of production could pursue a plan and thereby avoid the disproportions to which a supposedly chaotic market had succumbed. Quite apart, however, from the question whether there could really be no planning outside the socialist system, the theory of the socialist economy, as it had developed so

far, showed no trace of planning. On the contrary, when the critics had maintained that a socialist economy must break down under the weight of its own arbitrariness, its theorists had countered that it could use for its orientation the same objective standards as the private market.

The ideally free market has often and rightly been described as a plan imposed upon producers by the entirety of consumers (income recipients); it is the consumers that hoist the price signals for production. And this remains true in a socialist economy which adopts the same mechanism. It follows that such an economy would partake not only of the rationality of an ideal static market but also of the disproportions and crises of a real dynamic market. The more the analogy to the market is stressed, the more a very different principle is required to raise the socialist economy above the level of the crisis-stricken market, a principle which of necessity will oppose the principle of demand in control of prices and which may even be irreconcilable with it, unless the interlocking can be explained. This is the second crucial problem of socialist theory.

Klein, like most writers, holds it self-evident that an all-inclusive socialist system would pursue a far-sighted plan of investment. Consequently he is interested primarily in the problem of how first to attain full employment by means of wage and dole rises and, if necessary, by capital accumulation through price rises.

According to Landauer capitalism cannot avoid the periodical appearance of capital shortage, because low interest rates and capital abundance during depression invite too many and too heavy investments, whose combined effect is to exhaust the available supply before they are technically finished. Centralization of investment, besides unifying and delimiting the claims to capital in advance, can, in the event of a strain in the construction situation, prevent a breakdown by raising the required capital amount in time. This must not be understood to mean that in this event prices should be raised indiscriminately in order to reduce consumption in general and set the required labor and material free for investment; such a procedure may indeed cause unemployment instead of preventing it. It cannot be ascertained in monetary terms whether the plants, materials and labor skills thus made idle would be technically capable of service for the completion of the construction program; a qualitative examination would be required to ascertain this, and such a method is available only to a central controlling authority.

From the opposite starting point the present writer comes to a

similar conclusion. If a technological structure's capacity for labor is diminished by mechanization of jobs, the wages thus saved do not suffice to reemploy the dismissed workers, because this would require additional jobs fully equipped with additional capital in excess of the necessary wage fund. The capital demand thus emerging for the reabsorption of the workers is calculable in advance, from the very moment when the orders for the mechanizing construction are issued; but it is not taken into account by the capital transactions and the corresponding rate of interest at that time. Hence the establishment of an adequate proportion between labor-saving and labor-demanding investments necessitates a centralized qualitative investment control.

The question of principle involved in this combination of qualitative control with the problem of price calculation was broached only later.¹ While the price mechanism and the accounting structure based on it constitute an indispensable condition of rationality in general, they fail in particular dynamic cases and must be supplemented by a heterogeneous device of planning. It is especially the rate of interest that fails to indicate the future claims to the capital supply necessarily arising from certain kinds of present demand for capital; it regards only the short-run situation of the capital market, while the long-run implications are most important in a factor whose essence is time. On the other hand, although the price mechanism is not sufficient for the regulation of production in the age of technology it is nonetheless indispensable. What price indicates is the reaction of demand to changing supply, including the demand for productive factors; what it fails to do under dynamic conditions is to regulate supplies in accordance with demand. By making a distinction between the passive index function and the active regulative function of the market a neat division and interlocking of the pricing and planning principles is attained.

The development of the theory in German literature came to a close with a paper by Kurt Mandelbaum and Gerhart Meyer which is probably the most comprehensive survey, analysis and combination of the various possible solutions which has appeared to date.² The discussion in this paper is not restricted to the relatively few

¹ Eduard Heimann, "Planning and the Market System" in *Social Research*, vol. 1 (November 1934) p. 486.

² Kurt Mandelbaum and Gerhart Meyer, "Zur Theorie der Planwirtschaft" in *Zeitschrift für Sozialforschung*, vol. 3 (1934); cf. also Meyer's paper, "A Contribution to the Theory of Socialist Planning" in *Plan Age*, vol. 3 (October 1937). The present author owes much to a correspondence with Dr. Meyer.

theoretic contributions but includes the popular formulations, with a view to discovering how much and in what form they are accessible to scientific elaboration. The result is striking. "Market socialism" is one extreme, and from it a range of solutions stretches to the other extreme, a fully centralized system with dictatorially allocated incomes and jobs. All these are rational in the sense that under them the arrangement of production is susceptible of examination in the light of the end, consumption, whether free or imposed by authorities.

In a centralized natural economy, such as has been recommended by Otto Neurath,¹ there are no objective standards of orientation among the innumerable alternatives in production, but the introduction of labor money—so popular with socialists—would offer the necessary means of calculation. If consumption is planned as a whole, by government decree, and individuals can influence it only indirectly through leaving supplies unbought or demanding more than is available, the directions in which labor is invested are correct by definition. Here calculation need no longer find out whether production corresponds to demand but only whether it uses as little labor as possible. With the labor unit of calculation skilled labor is a multiple of simple labor, according as labor was invested in its training; differential rents are calculated as saved labor; and while capital cannot simply be dissolved into labor and material—because no capital good can be produced without the contribution of existing capital goods—the productivity of capital in terms of labor can be ascertained, as for instance where machines and labor produce the same kind of machines. An interest rate, again, is not necessary to reduce the demand for capital-intensive products; the choice between present and future goods, as between all kinds of goods, has already been anticipated in the all-inclusive plan. The technique of production is determined by such a distribution of available capital that it does not save more labor in any one industry than in any other.

Mandelbaum and Meyer by no means recommend the technical and political implications of such an order; they only say that even this is not irrational in the accepted sense. Many forms of transition and combination among the various schemes discussed here are suggested. Thus the paper has considerably enlarged the scope of the theory, and systematized its elaboration, in the direction of centralization.

What it fails to give is an enlargement in the opposite direction

¹ Otto Neurath, *Durch die Kriegswirtschaft zur Naturalwirtschaft* (Munich 1919), and several later writings.

too. On the contrary, it insists that the theorists of market socialism underrate the minimum degree of centralization required for the control of investments, and cites as evidence the invariable superiority of particular interests whenever they desire to evade central control. It escapes the authors that private profits, although they can be concealed in their financial form, cannot remain invisible once they have been invested in buildings or machines not approved by the central board.

This consideration makes it necessary to dissociate the concepts of planned economy and of socialism, and to study the various political orders, socialist and non-socialist, which provide the governmental requisites of planning. Thus it becomes clear that what economic theory can do is to examine the possibilities and implications, the minimum sizes and limitations of socialist and planned economies, but not their desirability. As theory can say nothing whatever on the political nature, composition and aims of the planning board, so too it can say nothing on the nature of the market into which the qualitative regulation of investments is inserted. Even accounting prices within a centralized sphere, however large it be, reflect free market prices, at least for consumers' goods; and of course any other mixture of the two kinds of prices is equally feasible simply because they are essentially identical, being determined by the criterion that they enable demand to absorb supply. All the more is it plain that with the use of genuine prices in the socialist sphere, be they accounting or market prices, these correspond to and interlock with market prices in the fields which remain individually organized.

This is applicable to any closed economic system, and is tantamount to saying that while qualitative control of investments sets the minimum size of the centralized sphere, the criterion of economic rationality contains no special suggestions for the organization of current production, and permits any combination of elements of individualism and socialism, provided they can be integrated under a common political principle. The same consideration applies also to the world market as an economic unit, in which no requirement of economic and accounting techniques is in the way of an undisturbed and fair exchange of goods between the national economies, socialized or not.

IV

The postwar development of the theory had started on the defensive, after Mises' and Weber's attacks, and for several years was entirely limited to the German literature. Only gradually did knowledge of

these attacks spread to the Anglo-Saxon countries. In 1935 F. A. von Hayek edited the volume called *Collectivist Economic Planning*, which contained, besides the papers by Pierson and Barone, Mises' initial article and also supplementary articles by Halm and Hayek. Shortly afterward Brutzkus' and Mises' books were made available to the English-reading public. But the explosive aggressiveness, which had characterized the first attack in German, was gone. The initiative was not with the critics, because, without any knowledge of the German predecessors,¹ they came to a literature in which the theory had already passed through a spontaneous development, on a very high level.

The development was inaugurated in 1929 by Fred. M. Taylor, in a brilliant address which, though previous to the later German books, remained unnoticed in the German turmoil; the coincidence of opinions makes his work only more striking.² He shows that with a formally arbitrary income distribution consumers would dictate to the state what to produce, and the state could properly calculate this program. Commodities should be offered to consumers at cost prices, simply because the state, when deciding that the citizens should have certain amounts of income, thereby means to give them control of labor and resources to this amount, leaving to them to choose the products in which those factors shall be combined. The state would counteract its own decision on incomes if it calculated prices differently. The values of the cost factors, in turn, the state ascertains by the "method of trial and error," first setting tentative values as near as possible to the "effective importance" of the factors, and then watching whether at these values demand absorbs supply or a change of valuation is required to this end.

One difficulty seems to remain. As general price theory rightly assumes that variations of the market situation must not be too large to be digestible to the market mechanism, so divergences of the initial accounting prices from the correct ones should be only within a narrow range, and there is no reason to believe that this would be attainable if one had to start without any precedent, as it were, from zero. But a precedent there is, because one starts with the prices of the immediately preceding stage, whatever its social organization. Lange has greatly served the theory of socialist economy not only by the emphasis

¹ Lange is the only English-writing author familiar with the German writings, but he does not refer to them.

² Fred. M. Taylor, "The Guidance of Production in a Socialist State" in *American Economic Review*, vol. 19 (March 1929), reprinted in Lange and Taylor, *op. cit.*

of his reference to Taylor's forgotten contribution, but also by supplementing it in this last point.

Even so we may doubt that the principle of the continuity of valuation is applicable, because a redistribution of incomes cannot fail to change the structure of consumption to a considerable extent, and would be intended to do so. This, however, is not likely to bring about a serious change in the capital-intensity of the goods demanded, and therefore in the relative significance which capital and labor and the different skills of labor would have for that demand. To be sure, this is not a question to be decided by academic deduction; an investigation into existing demand schedules might help to clarify the point. But the weight of mass production industries, even under the present income structure, and the relative ease of shifting production to neighboring products or to cheaper or dearer qualities, would seem enough to allay apprehensions.¹

In England H. D. Dickinson² started the discussion, again quite independently, and was followed by A. P. Lerner.³ What is particular to Dickinson, and has given rise to some unfavorable comment, is his emphasis on the demand schedules to be drawn up by selling and producing agencies to facilitate a correct reaction to remaining surpluses or deficits of supply. This, however, is only an abbreviating term entirely legitimate in a theoretic synopsis. As the marginal productivity theory only systematizes the observation that the businessman hires or dismisses a worker depending on his opinion of the worker's potential contribution to his revenue, so the demand schedule only systematizes the observation that any businessman forms an opinion on the probable reactions of his customers, in terms of demand volume or price, to changes of price or supply. These opinions are his demand schedules, and for a centralized management they are, of course, incomparably easier to attain and more reliable than in a competitive market, where no one can exactly foresee what will be his competitor's decisions.

In addition to this, Dickinson is the first to include international exchange in the theoretic analysis, which is done by applying the

¹ A second early contribution in the United States, again perfectly sound but forgotten by its successors, although mindful of Taylor's brilliant lead and of the foundations laid by Wieser and Cassel, is the undergraduate Harvard study by W. Crosby Roper, *The Problem of Pricing in a Socialist State* (Cambridge, Mass., 1929).

² H. D. Dickinson, "Price Formation in a Socialist Community" in *Economic Journal*, vol. 43 (June 1933).

³ A. P. Lerner, "Economic Theory and Socialist Economy" in *Review of Economic Studies*, vol. 2 (October 1934).

fundamental economic laws of comparative cost under a common system of prices.

Dickinson concludes that the beautiful theories of price equilibria are descriptions not of existing society, distorted as it is by inequalities of income, by monopolies, cut-throat competition and ignorance, but of a socialist economy to come. This remark is characteristic of most of the English-American literature in this field where, as a matter of fact, the socialist economy appears as the only adequate realization of equilibrium theory, and the more so the more centralized it is.¹ This is interesting not only because it shows a complete turn back to Wieser, from the situation in which Mises and Weber had written; also it betrays some provincialism in favor of economic theory, and disregards the points of view of the other political sciences concerned, which will also have their say on the social and political implications of the degree of centralization postulated by that pure pricing method. Finally, even economic theory proper is not likely to accept that statement, which seems to imply that the grave disturbances of equilibrium in present society are to be attributed to deviations from pure prices, while the nature of price, expressive as it is of an only momentary situation, appears to be inadequate to the regulation of long-range technological processes.

Therefore it seems to me that Dobb's objections² to this application of "bourgeois economics" are not wholly unfounded when it comes to long-run problems of investment, where a mere acceptance of the interest rate determined by capital supply is certainly not necessary and where a discrimination among various kinds of investments, depending on their technological qualities, might prove more productive. On the other hand, Dickinson's brilliant and stringent exposition no doubt offers the best starting point for a discussion bent on the necessary elaboration, qualification and enlargement.

This leads finally to the extraordinary crop of the year 1937, which produced the works by Pigou, Lange, Hall and Dobb.

Pigou's book³ shows the special qualities so marked in its author, the classical representative of a classical thinking wisely adapted to changed conditions. Contrary to Dickinson and others, and in con-

¹ Pigou is far-sighted enough to remind his readers that this is a problem not of ends but of technique; Hall, too, frankly admits the impossibility of proving any ethical necessity.

² Maurice Dobb, "Economic Theory and the Problem of a Socialist Economy" in *Economic Journal*, vol. 43 (December 1933).

³ A. C. Pigou, *Socialism Versus Capitalism* (London 1937).

formance with Hall, he understands the fundamental distinction between socialism and planning. He finds this so plain that he does not even feel it necessary to discuss some of the consequences so evident in a world where planning systems make great headway and socialism, in his sense, none at all. The model economy he analyzes is a humane socialism with planning devices designed to preclude fluctuations of output and income. The fluctuations under capitalism are attributed to a change of attitude toward investment, especially in production goods industries, intensified by stickiness of wages.

Pigou goes somewhat out of his own economic way and—rightly—enters the field of political science when he argues that a socialist economy has an advantage over capitalism on the wage question, because in the former a necessary reduction of wages could not be suspected of benefiting private profit and would not meet much resistance if properly made plausible. Likewise he finds that centralized management is superior in regard to a public works program, because it need not fear a compensating contraction of private investments as an effect of its action, and most of all because, as far as technically possible, it can transfer men and materials directly from one kind of industry to another in order to meet a strain. It is evident that these devices presuppose an existing disturbance and do not constitute a real preventive action. In the theory of accounting prices Pigou's presentation is more detailed and at the same time more refined than any other under discussion here. It is unfortunate, however, that he overstates the practical difficulties involved and comes close to Hayek's and Robbins' objections to the practicability of equation systems: he argues as if the accounting prices had to be chosen arbitrarily and the equations solved as such, and ignores the continuity of prices from the preceding stage.

Lange's brilliant formulations¹ are not made superfluous by Pigou's. He gives a most complete and concise enumeration of all the theoretic conditions under which pricing works, both in capitalism and in socialism. He reformulates some of the equilibrium conditions for socialism, stressing, for instance, that the ideal combination of productive factors in technological processes is attained when one dollar buys equal amounts of potential product in each factor. He rejects the thumb rule of equal wages in a society aimed at an equalitarian democracy, and replaces it (as does Hall) by a differentiation

¹ Oskar Lange and Fred M. Taylor, *op. cit.*; Lange's contribution is a revised reprint of an article published in the *Review of Economic Studies*, vol. 4, nos. 1 and 2 (October 1936 and February 1937).

according to the differences in disutility of the various jobs, so that the standard becomes money income plus the relative agreeableness of the work (he seems to overlook that also in capitalism the less attractive job must pay higher, other things being equal). He is considerably more optimistic than Pigou in considering the latter's famous problem of how to include in the cost calculation such items as are not charged or credited to private business under capitalism but form a burden or a benefit to the community, such as unhealthy conditions or a climatic improvement due to the planting of a forest.

Lange's analysis goes far beyond the special pattern that he recommends and includes a totally dictatorial system, already discussed by Mandelbaum and Meyer, in which jobs are assigned and goods rationed according to a plan imposed by the authorities. Here the rationing shows the divergence of consumption from what people would demand spontaneously, but accounting values for the goods produced can still be taken as a starting point for accounting values of production goods. If in this system money incomes are distributed and the fixed quantities of consumption goods are sold for money prices, these prices cannot reach an equilibrium and are deprived of their control function because consumers are not in control of production; there are two unconnected price systems side by side, and the discrepancy between them may be said to measure the deviation from democracy in consumption.

Lange follows Keynes in business cycle theory, describing as the dilemma of capitalism the fact that it must maintain the values of investments by restrictionism but thereby destroys the incentive to further investments; he reiterates the credo that such a thing could be staved off only by communal property. He makes it clear that the consequences which would derive from a fear of weakening the marginal productivity of capital, and thereby the incentive to investment, are opposite to the consequences which would follow if the difficulties were attributed to a shrinkage of purchasing power or to a dislocation through a technological elimination of factors from production. In the first case technical progress of any kind has to be forced and speeded up; in the second case special kinds of progress have to be kept from spreading out of proportion to a simultaneous possibility of reabsorption. The two theories need not be mutually exclusive, and the lines of policy should be made compatible and must be delimited against each other.

R. L. Hall's book¹ is easily the climax of this literature. It goes far

¹ R. L. Hall, *The Economic System in a Socialist State* (London 1937).

beyond all others in the realism and refinement of the problems it sets forth, and it considers them with exemplary circumspection. Although Hall follows the scheme generally accepted in the English-written literature, he gives many side-glances to other possible arrangements, both more and less centralized than his. To market socialism, in which the producing units would use the money received from consumers to buy semi-finished goods, he objects on the ground that a complicated system of checks and subsidies would be necessary in order to secure the advantages of common ownership, which would otherwise be lost. This is a somewhat sweeping statement and does not take into account, first, that market socialism is by far the easiest form to establish—a fact which might very well outweigh relative disadvantages—and second, that no one recommends a hundred per cent market socialism without certain centralizing devices in the dynamic fields, where those advantages of centralized management would then be available. There is, of course, no disputing Hall's further contention that without a centralization of cost accounting to accompany that of management, the adjustment of the monetary flow to expansions and contractions of industries would prove a complication.

One of his most brilliant chapters explains how much the monetary field would be simplified if no private investment were permitted and fluctuations in the circulation and velocity of money were thereby reduced to a minimum. The mixture of capital and money problems today makes a sound theory and policy of the interest rate impossible, because the two ends often cross and counteract each other. Moreover, the interest rate, and the capital volume to which it corresponds, do not today reflect consumers' preferences because of the overwhelming influence which corporate saving and the trade cycle exert on them. Besides, while there is every economic and political reason for free choice in consumption, and consequently for money incomes and a money economy, consumers are likely to be short-sighted in their free choice between the continuance of present satisfactions and higher future returns through a temporary sacrifice; if so, there would be justification for public capital formation as against the unlimited freedom of choice that Dickinson and Lerner desire to maintain also in the formation of capital through individual savings alone. This point is made also in Pigou's and Lange's books, and in the German writings.

But it is in his analysis of socialist pricing and management that Hall is most admirable. He is not content with a generalizing reference to labor, capital and land as factors of production; within each a

classification becomes imperative for correct pricing. What matters is the non-competing groups, although from a long-period point of view they may compete, as for example if unskilled workers are trained for skilled work and the cost of this capital investment is calculated per product of the skilled work. Any scarcity that can be eliminated in this way will be eliminated, and the prices of the products of skilled and unskilled labor will be approximated to each other until they are expressive only of that final proportion of labor cost. If, however, the products of the newly trained men continue to be more costly than those of the originally skilled men, and if cost tends to rise further with increasing output, then the original group proves to possess a natural scarcity value which must be accounted for, the output being rated, of course, at marginal cost, that is, the cost of the newly trained men. (Where the elimination of scarcity succeeds this disproves the never disputed Ricardian contention that the market allocates capital to the various industries in proportion to their needs: the capital market provides funds for production, where a profit can be made, but not for the training of workers.)

On the other hand, the ever-present possibility that a plant may be intramarginal, for whatever reason, makes it impossible to ascertain the rate of interest from the productivity of any particular plant; the only criterion for a correct guess is that at this rate the general demand for goods must neither expand nor contract. A short-run rate need not be calculated, because there is no private investment and no private liquidation; for the community all capital is permanently invested. By deducting from the value of output the cost of labor and working capital, gross returns are found, and by further deduction of depreciation we arrive at net returns, whose capitalization leads to the first guess at the value of the plant. Again the rate of depreciation determines the size of the capital goods industries, and the costs of their products are calculated on the same lines and charged to the buying plants. Thus the latter check the calculation of their value from their earnings by comparing it with the purchase price of their fixed capital, and discrepancies between the two lead to the familiar adjustments. In the case of natural resources, which may show a wide range of costs and rents, the low cost units should be expanded until equality of marginal cost, and of price with it, is reached everywhere. (It is true that this is nothing new, as in competition the same result should be attained.) If, however, the range of cost is attributable to inadequate training of workers, or to inadequately adapted capital, the remedy is at hand; and if it is attributable to higher ability of man-

agers, then the rent should be taken as both a signal and a source for expansion.

A serious misplacement of resources in capitalism, as by monopoly, inevitably entails for the community a serious burden of reconstruction, though the community must not forego control of the capital goods industries and must not permit them to become larger than is warranted by their permanent utilization for replacement and normal growth. Their size is directly fixed, and not subject to fluctuations according to their earnings; otherwise they would get out of control as soon as the interest rate is raised in order to check an expansion and the prices of capital goods therefore rise. Hall seems not to be aware of the significance of this step of his, which is a long-run decision against the short-run price signals. The result of all these measures should finally be an equilibrating order with everywhere rising marginal costs.

The one insoluble difficulty is found in the one-plant industries in which, as under capitalism, no standards of efficiency can be gained through comparison. On the other hand, Hall's wisdom is conspicuous in his advocacy of small units, which he would not include in the centralized system of management and accounting, because for them correct costing is usually not feasible and a special value attaches to both the personal connection with customers and the psychological outlet for independent-minded people who dislike being controlled. While Hall is correct in placing a narrow upper limit upon the size allowed such enterprises, one wonders why his tolerance of individualism should assume only a psychological expression and not be carried to the field where it would gain a decisive political importance; this, as a matter of fact, is a question not of individual psychology but of group ideals and programs. In this respect Lange, who clearly states that socialism must not touch small-scale industry and farming, is more distinct, although he too does not give this idea a political turn; he qualifies it by the technological condition that it is valid only if large-scale operation is not more productive.

Incomes, finally, are distributed along market lines, which Hall somewhat hesitatingly adopts as an incentive for the more capable and efficient men. Thereby perfect equality, either in money wages or in proportion to the disutilities of the various occupations, is given up; but Hall rightly expects that the differences in salaries and wages would be much smaller than today, first because of the training of the unskilled, and second because the supply price of superior ability in an equalitarian society would be lower than in an order where private

investment is a personal goal. He might have added that the top salaries today are determined not by any economic law but sociologically; a ruling business aristocracy metes out to its members shares in business returns, in the form of salaries, thereby making these incomes more independent of business fluctuations and diminishing the profit balance visible to a critical public.

There are important elements of planning in Hall's model, particularly as he expects the central board to follow an order of priority in far-reaching investments whose returns cannot be exactly calculated. But it is interesting to note that he subsumes all this under the concept of socialism, which has to exert control through the use of the price-cost relationship wherever feasible, and contrasts it with planning, which he defines as an authoritarian decision on what to produce and allocate to consumers.

In this sense Maurice Dobb¹ is a planner, for he claims for socialism "the unification of all major decisions which rule investment and production, by contrast with their atomistic diffusion. The difference is a difference in calculability of events in the one which are incalculable in the other." His opinion of the freedom of personal decision in the market is not high, not only with regard to saving but even within consumption, where the desire for "variety and variation" reduces the scale of output for any one product and the volume of consumption for all consumers. Dobb is not quite logical when he further argues that consumers can decide only among available choices and might prefer something non-existing if it were produced; in this case the capitalistic profit motive is just as likely to take advantage of the opportunity as any enlightened socialism could be. Dobb, however, is not opposed to a market in consumption goods; he wishes only to reserve the right of overriding consumers' demands. As he finds that all decisions on investment and production must be unified he seems to leave little room for the consumers' goods market; it would be a means of distributing whatever is produced, but it would have no substantial influence on the directions which further production should take if an equilibrium were to be reached.

After all this it is with considerable surprise that one reads Dobb's suggestions for a truly socialist economy built on Marxian principles: total cost must be equal to total income; maximum satisfaction demands equality of marginal cost with price; a surplus margin (vulgarly called interest rate) must be included in the price of the products of stored-up labor (vulgarly called capital); the highest possible satura-

¹ Maurice Dobb, *Political Economy and Capitalism* (London 1937).

tion is reached when the marginal products of stored-up labor and currently used labor are equal. These are familiar propositions and warrant the statement that there is essential agreement among all theorists of a socialist economy, irrespective of schools.

Where Dobb is really original and instructive is in his analysis of the problems that come up in connection with investment. He describes the difference between the short-sighted spontaneous reactions of the market and the operations of planning by drawing an analogy to the "pursuit curve" of a dog who sees his master ride along a path and runs toward him, changing his direction at any moment and thus following a curve, while it would have been rational for him to choose a straight line to a point which his master would also reach meanwhile. Dobb's main problem in regard to planning is the dilemma of whether to concentrate first on erecting wooden bungalows, and then, after securing preliminary shelter, to proceed to brick buildings and as soon as possible to steel structures, so as to attain maximum satisfaction in a relatively short process, or whether to go more slowly and to retard the attainment of the maximum in favor of the intervening time; and thus he considers too at what points of time it would be advisable to pass on from one type of work to the next, and in what proportions they should be pursued side by side.

These questions obviously demand an analysis in terms of existing and potential marginal satisfactions and sacrifices, and the points of intersection of the curves representing them, and this is the method which Dobb hesitatingly adopts. We need not quarrel with him on the score of method, for we have to thank him for a pioneering outline of a new problem. He himself would insist that he is less interested in the scientific method of analysis than in the political method of realization, and that, as a result of the duration of investments once they are enacted, the problem demands centralized control of production. In this he is right. The trouble is only that the construction of the problem suggests rather a backward country, like Russia, which strives to make up for advantages already familiar elsewhere, than a principle of progress into a still unknown technological future. For even the wisest government can decide only on what it knows, and risks seeing today's investment thrown into obsolescence by an invention tomorrow.

EDUARD HEIMANN

BOOK REVIEWS

HOPE SIMPSON, SIR JOHN. *Refugees, A Preliminary Report of a Survey*. [Issued under the auspices of the Royal Institute of International Affairs, London.] New York: Oxford University Press. 1938. 233 pp. \$1.25.

Refugee movements arising from political and social catastrophes have anew come to be not only a political but also a social and economic problem of first rank since the advent of German National Socialism. But the world is only too little aware of the fact that such politically caused and enforced migrations have been one of the predominant features of Europe's fate throughout the period since the World War.

Greece, for instance, after well-nigh continual wars from 1912 to 1922, was compelled to receive 1,300,000 Greek refugees from Turkey, Bulgaria and Russia, while 370,000 Moslems had to leave Greece for resettlement in Turkey proper, the motto being, "the unmixing of populations." This vast transportation was achieved under the supervision of a mixed commission with neutral participants, and thus, though after horrible sufferings, in a regulated, orderly manner. Much more horrible was the fate of the Armenians against whom "the Turkish government, beginning in February 1915, adopted a policy of systematic deportation with the deliberate intention to eliminate the Armenian population . . . In the total series of massacres and deportations to which the Armenians were subjected since the beginning of the Great War it has been estimated by Dr. Lepsius that one million perished; probably 250,000 took refuge in the Caucasus during the War, 200,000 were placed in concentration camps, 200,000 were converted to Islam or confined in Turkish homes, and 200,000 survived in their original homes." In fact, the ordeals of the Armenians continued after the war: "It was estimated that in September 1923 there were 320,000 Armenian refugees scattered over Syria, Iraq, Cyprus, Palestine, Greece, Bulgaria and other European countries," not including the 400,000 Armenians who had sought refuge in Erivan. The number of refugees from Russia since the Bolshevik revolution amounts, according to conservative estimates, to something between 600,000 and 1,000,000; it would be higher if the Soviet Union had not long since hermetically closed her frontiers against emigration.

But these are only the three most conspicuous mass migrations that took place in Europe after 1914. A great number of others would

have to be added if the list were to be complete. It is on this background that the new wave of expulsions initiated by the Hitler regime must be conceived. Many tens of thousands who found refuge in the German republic, or who fled from Germany to the Saar, to Austria and Czechoslovakia, or who went to other countries where they could not find a permanent home, are now migrating for the second time without knowing whether even this will be their last migration. Civil war, it must be understood, is even more cruel and inhuman than international war, and especially so if the civil war is conducted according to "legal" forms which apply all the skill of learned jurisprudence in satisfying the cold hatred of the victors.

The above-mentioned facts are from Sir John Hope Simpson's survey of the refugee question, undertaken under the auspices of the Royal Institute of International Affairs in London. The present report is only preliminary. It was published in the summer of 1938 for the Evian Conference. A final report is announced. But even in this provisional form the report provides an invaluable amount of important factual information about the origins of the existing refugee situation, about the international machinery for organized protection and assistance — the memory of Dr. Fridtjof Nansen and his brilliant achievements in the appeasement of postwar cruelties shines through this section and indeed through the whole book — and finally about the situation in some main countries of refuge. From the latter section it may be noted that the United States since the economic crisis has for the first time in her history seen more aliens leave than have entered: from 1931 to 1937 the total number of aliens entering from all countries was 306,782, the number departing 386,416, a net loss of 79,634.

The refugee problem, concludes Sir John, "is clearly a world responsibility demanding international action by governments." But the world today is badly prepared for assuming this responsibility. For "the existence of refugees is a symptom of the disappearance of economic and political liberalism. Refugees are the by-products of an economic isolationism which has practically stopped free migration; they are the products of the population pressures in Europe which result in part from the paralysis of international trade and the restriction of markets; they symbolize in a most tragic way the development of political authoritarianism." Political nationalism, "the modern conception of national exclusiveness and homogeneity," and economic nationalism, aggravated by the depression and by the huge amount of unemployment still prevailing in great parts of the world,

are to some extent the roots of the present situation and at the same time the most dangerous obstacles to its solution. Even in countries where political nationalism is not so strong as to impede the admission of refugees, economic nationalism often prevents them from making their living. Since the war many European countries (not the United States) have invented, probably for the first time in history, a differentiation between permission to stay and permission to work. "The dictum that the right to work cannot be separated from the right of asylum still remains rhetoric even in countries with a liberal tradition," says the report.

It is evident from such considerations that the whole report has a very pessimistic tone, and particularly so with regard to the Jewish problem. Sir John rightly states that National Socialism's racial propaganda has misled world opinion about the German refugees: "this introduction of a false term has obscured the essentially political aspect of the problem from the beginning; it has made the problem appear to the outside world as primarily a 'Jewish' one instead of the general political one that it really is." But he also emphasizes the enormous danger that National Socialism's persecution of the Jews, and the world's yielding to it, may induce other governments in eastern Europe to follow the German example. East of Germany and Austria, and excluding the 3,000,000 Jews in Russia, there is a Jewry of nearly 5,000,000, of whom 3.11 million are in Poland (9.7 per cent of the total population). To resettle these masses would be an unsolvable task. Sir John envisages very little hope and immense difficulties in mass colonization as such, not to speak of the enormous numbers that a new migration of eastern European Jewry would involve.

In regard to Germany he warns the world against what he calls submitting to a "process equivalent to blackmail," a very timely warning indeed in view of recent shrewd proposals to combine the emigration of German "non-aryans" with international financial support for National Socialism's armaments and its urgent need for foreign exchange. He recommends a constructive program for a long-range transformation of general conditions in eastern Europe. "In Poland, for instance, financial and other facilities for an agrarian reform, for the encouragement of greater industrialization, for the expansion of both the internal and external markets would assist an economic rehabilitation of the country in the course of which much of the specifically Jewish problem would disappear. . . . The process will require capital investment on a colossal scale, but the investment would

be far wiser than the extemporized expenditure on solving a vast refugee problem, which would in fact need greater financial assistance and would involve a far more extravagant use of capital." "The grant of asylum to political refugees *stricto sensu* must remain a tradition and practice of any civilized community." But "if the existing problems could be solved by an energetic attempt to secure final absorption, and the potential Jewish problem could be removed by anticipatory action which dealt with the root causes . . . a refugee problem reduced to this proportion would not raise any of the great difficulties that now menace the whole stability of European society and impose indescribable moral suffering and material hardship on groups of population through no fault of their own."

These were Sir John Hope Simpson's findings and suggestions in the summer of 1938. In the meantime the Evian Conference has met and adjourned, so far without visible practical results. The Munich peace and the dismemberment of Czechoslovakia followed. And in November the world was horrified by the new German pogroms — horrified, but by no means called to action. Perhaps the time is gone for such moderating readjustments as Sir John proposed. Perhaps these proposals themselves were too optimistic, in spite of all his pessimism, simply because they put too much emphasis on the economic roots and not enough emphasis on the non-economic, super-economic, irrational causes of Europe's self-destruction and decay. Nevertheless his report, intelligent and warm-hearted as it is, retains its value as a source of information and as a document of this time of ours.

ARTHUR FEILER

LINEBARGER, PAUL MYRON ANTHONY. *Government in Republican China*, foreword by Fritz Morstein Marx. [McGraw-Hill Studies in Political Science.] New York: McGraw-Hill. 1938. 203 pp. \$1.50.

YOUNG, A. MORGAN. *Imperial Japan 1926-1938*. New York: Morrow. 1938. 328 pp. \$3.

Linebarger's study on *Government in Republican China* is described in the introduction by Fritz Morstein Marx as a pioneer venture; accordingly it may claim to be exempt from a thorough criticism of detail, though some of the mistakes it contains are rather surprising, as for example the antedating of the Fukien rebellion of 1933-34 by one year, the description of the totally inoperative Consortium of 1922 as "pooled control of all the industrial capital-

ist nations" over China, or the description of the Chinese village as a democratic social organization (the sole reference being Smith's obsolete study on *Village Life in China*).

The main body of the book is subdivided into three parts: Movements, Armies and Governments. Such a subdivision leads to many repetitions; moreover, it is indicative of the difficulties inherent in the subject, mainly on account of our traditional prejudices concerning China and her government. Under the influence of Chinese literary tradition, that is, the artificial legitimacy legend construed by dynastic historians, the usual conception of China is one of age and permanence, while a more realistic approach to her problems and her history is still prevented by our failure to look beyond literature.

Accordingly Linebarger highly overestimates the importance of Confucianism and underrates the influence exerted on China from without. Also, he seems generally to lapse into the mistake of considering "ideologies" or "movements" as more or less real brain children, without paying sufficient attention to their basis in China's social structure. Thus, for example, it is misleading to apply to Chinese "communism" the descriptive term "Marxism," for the leaders of China's communists are basically unorthodox revolutionaries, just as the Chinese Nationalist Revolution does not fit too well into the traditional Marxian scheme of "revolution."

The prewar Kuomintang government is not satisfactorily interpreted, for Linebarger overlooks the basic change of the governing party into a group of civilian and military officeholders, without too much popular basis. Similarly, he tends to minimize the intra-party tensions developing from the discussion on the policies to be followed by this government. Had he gone deeper into these tensions he would have found more substantial reasons for the Sianfu revolt. Such an important personality as Wang Ching-wei, for many years premier, is mentioned but once, and then as the chief leftist disciple of Sun Yat-sen, though for the last four years he really represented the opinions of the right wing in China's government, more or less openly advocating subservience to the wishes of Japan.

In his analysis of the Kuomintang army as created largely by the efforts of Chiang Kai-shek, Linebarger underrates its political importance. By attributing the Sianfu coup d'état too exclusively to Chang Hsueh-liang and his Manchurian troops he overlooks the really important meaning of this incident—the mutiny of Chiang's army against his policy. It does not seem at all likely that the Kuo-

mintang government at Nanking could have survived with any alternative solution of the incident; its strength was probably more apparent than real. Closer analysis of the sketchy stories told about Sianfu would have disclosed that the National Government at Nanking did not adopt a unified attitude, quite a few of the leading politicians in Nanking being ready to sacrifice Chiang and to embark upon a policy of embittered civil war on a vastly enlarged scale. This was prevented not only through the mediation of Mr. Donald, but still more so by the activities of Dr. T. V. Soong, whose part is generally described in such nebulous terms that it was evidently of the utmost importance, fitting in well with his opposition to Chiang's anti-communist campaigns.

While Linebarger's study thus suffers from many shortcomings, it is nevertheless well worth reading as a mostly reliable chronicle of recent events in China's history.

Linebarger's ambitious scheme, however, is less successful in its description of republican China than A. Morgan Young, formerly editor of the *Japan Chronicle*, has been in his annals of imperial Japan during the Showa period. Young frankly does not wish to theorize about Japan; instead he has written a historical account of Japan's domestic and foreign policies distinguished by its candor and by its disdain of making any fuss about the Japanese spirit or the charms of Japanese civilization. He has thus given a study of the well-nigh revolutionary changes wrought in Japan by the continental adventures of her unruly army and by the reign of terror and corruption established in her domestic policies by the very advocates of her continental expansion.

At the present time it is especially important to note how persistently anti-British policy has been the keynote of Japan's extremist policies. It is regrettable that Young did not pay more attention to the ramifications of Japanese policy beyond the Far East. Thus he has overlooked the close ties between Japan and Germany and the growing tendencies on the part of Japan to fit herself into the rising bloc of international fascism, both economically and politically.

He might also have stressed the singular importance of Manchukuo, which by now has developed into a full-fledged satrapy of the Japanese army for which Japan is being bled and impoverished, without any other returns in sight than such as might enable the Japanese armed forces to continue on their road of imperial destiny. This road, as Young points out, does not end in China or in eastern Siberia, but really aims at Japanese rule over all of Asia.

The author reveals on occasion a very good knowledge of the diversified attitude of Chinese politicians.

By rejecting the Japanese claim as incomprehensible, and by interpreting recent Japanese history in terms of conquest, murder and impoverishment, Young has rendered a noteworthy service to the understanding of contemporary history.

KURT BLOCH

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BARNES, HARRY ELMER, and BECKER, HOWARD. *Social Thought from Lore to Science*: vol. 1, *A History and Interpretation of Man's Ideas about Life with His Fellows*, 790 pp.; vol. 2, *Sociological Trends Throughout the World*, 385 pp. New York: D. C. Heath. 1938. \$9.50.

This two-volume treatise on the historical and topological development of the patterns of social thought is in many respects a very remarkable enterprise. In the organization of their comprehensive material the authors have attempted to combine their own ideas with contributions by numerous specialists in the history of ideas. As indicated in the phrase "from lore to science," which the authors define as meaning the evolution from religious and traditional to autonomous rational and scientific thought, it has been attempted to apply the sociology of knowledge to the history of social thought and thus to promote a sociology of sociology, a sociological analysis of social thinking. Volume Two suggests a stimulating new approach to the subject; there the authors expand the reach of the sociological history of ideas by adding an analysis of the interaction between social ideas and academic institutions. The opening of this prospect alone would elicit gratitude for the authors' tremendous labor.

It should be noted, however, that a cooperative work can be successful only when there is general agreement among the collaborators with regard to principles and method. The volume on authority and the family which has been published by the Institute for Social Research is a notable example of this kind of cooperation. Unfortunately the authors-editors of the present treatise have gathered together scholars holding quite divergent views on the history of social thought. As a result there is a diversity in method and a shifting of emphasis and perspective in the various chapters. In presenting the historical development the writers have stressed the various stages of social thought more than their interdependence throughout the transformations of human existence. A thorough sociology of sociology would

have been a valuable contribution to the history of the interaction between rationalism and irrationalism, but since there is no coordination among the various contributions this project is not followed throughout the book, as planned, but is restricted to some chapters dealing with the thinking of primitives and with the rise of modern pragmatic rationalism. The various chapters are readable in themselves, but are not sufficiently interrelated for the presentation of the leading idea.

The second volume contains a description of the academic institutions all over the world which deal with social thought, a brief history of their leading scholars and their principal ideas. This vast material has been organized and subdivided nationally; it is unique, conveys much valuable information and is highly suggestive concerning the interrelationship of academic institutions, the spirit of society and the development of social ideas. Especially the very interesting chapters on French and American sociology reveal how academic institutions and their ideas function within the frame of their respective societies. This volume may be called a world Baedeker for sociologists. It offers them a world cruise, a chance to visit sociological institutions and departments all over the world and to talk shop with colleagues in Lima, Athens, Tokyo, Ankara, Bombay, Moscow, Milan, Prague, Oslo. They will be informed of the leading ideas of foreign students, of the place and function of sociological teaching in their academic institutions and, occasionally, of the customary academic gossip. The volume arouses the wish that there were still a common language for the international community of scholars. There are a great many contributions to sociology that are written in the languages of small countries and will never be translated, despite their value.

Since the fundamental idea of presenting the evolution from religious to secular thinking has not been worked out thoroughly and consistently, the work as a whole, however, offers no intellectual guidance through the labyrinth of the historical material. The authors have characterized their enterprise in these two volumes as an intellectual journey through time and space. The journey is, of course, conceived as a highly modern one, a sightseeing tour in a streamlined academic bus. But the modern tempo unfortunately forces the interpreters to adjust their explanations to the rapidly changing views, so that they offer labels rather than conceptions. This, it is true, is the only way to give quick impressions and information to the hurried traveler. Some travelers will be astonished, however, at making the acquaintance of an urban sociologist Plato, a student of migration

Thucydides, a vitalist Dilthey, at finding an appreciation of Masaryk without any mention of his criticism of Marx and without any positive evaluation of his far-reaching studies on the Russian philosophy of religion, which are so illuminating for the interpretation of Dostoevsky. Students of Russia will expect in vain to hear the name of Lukacs, who alone has promoted the sociological ideas of Marx. Students of philosophy will be disturbed at hearing a characterization of Max Scheler as combining psycho-sociology and neo-romantic Catholicism. It would be easy to draw up a list of such labels, mostly contained in the second volume.

These shortcomings of the work are due to the fact that the efforts at synthesis have extended only to the surface of the material, which has to a large extent been gathered at second-hand and shaped according to divergent points of view. An organic synthesis is achieved not by a technique of organization, but by the spirit which directs the organization. This involves a criterion, a philosophical consciousness, for the organization of any material, no matter how extensive.

The fundamental issue is not the contrast between specialization and synthesis but that between information and principles. There have been, and always will be, students who are proud of an ever-increasing knowledge of facts and data, and others who break through that bewildering jungle because they strive for knowledge of the constitutive elements of human existence. In the social sciences the two tendencies belong together. Both philosophical principles and a consciousness of their actual social institutionalization are prerequisites for a meaningful achievement by the social sciences. In the present situation scholars have to make up their minds whether academic institutions are to be storehouses of information about everything and anything, or whether it is their function to realize the human mind's eternal adventure of knowing and interpreting human existence, its place in the universe and its ontological elements. We have to face the fundamental problem of whether academic institutions still deserve the name of universities or have become exclusively technological institutes in all fields of knowledge. A decision must be made, and the more urgently since it involves the moral responsibility of intellectuals for the preservation of freedom and democracy. For if the social function of scholars is restricted to that of technicians, we can adjust successfully to any kind of totalitarian regime, but if our work is rooted in an understanding of mind as the specific characteristic of personality we shall have the vital impetus for preserving militantly the realm of democracy and freedom.

Ostensibly this statement is a far departure from the subject matter of the present review. Actually it is not. The errors and faults of this suggestive work present patently the basic dilemma of our intellectual situation: a great wealth of factual knowledge and a lack of guiding principles in its presentation. For this reason a responsible reviewer, while acknowledging all the interesting glimpses scattered throughout these two volumes, has the unpleasant task of emphasizing once more that the scientific and philosophical approaches are indissoluble, and that scholarship has moral and political implications which it can ill afford to abandon.

ALBERT SALOMON

BRINTON, CRANE. *The Anatomy of Revolution*. New York: W. W. Norton. 1938. 326 pp. \$3.

In his new book Professor Brinton searches for uniformities in four modern revolutions — that of the 1640's in England, the American, the French and the Russian. Were it not for its careful, "scientific" suppression of value judgments this book would be a perfect performance of common sense clarifying an issue that has been confused by the stereotypes and shibboleths of wishful thinking, both radical and reactionary. For example, after a survey of the various human types to be found among revolutionary leaders, the author concludes that "it takes almost as many kinds of men and women to make a revolution as to make a world." This is a refreshing statement in view of the eagerness with which other writers have pointed out the heroic and the pathological in revolutionary leadership. The book abounds in comments which at first may appear startling, if not paradoxical, but merely result from three qualities which few writers possess in combination: knowledge, sane judgment and stylistic brilliance.

A few conclusions of the study may be recorded. The political and intellectual conditions prevailing in the old regime prior to the outbreak of a revolution are more alarming and less equivocal than is the economic situation. No signs of unusually widespread economic distress can be found. Industry and trade progress. It is the prosperous classes which are the loudest opponents of the old order, obviously more because of institutional limitations to their economic advance than because of economic want. The government, rather than society, suffers economically, and the prosperous classes are reluctant to help the government out of its financial straits. These classes send the largest number of revolutionaries into the circle of leaders and

retain the majority even in the period of terror. Class conflict dramatized in moral terms precedes the revolution, but these tensions as well as the economic results of revolutions are less clearly defined in reality than in the textbooks of radicals. In particular, the shifts in social stratification and the redistribution of economic power are processes of amalgamation of the new economic elite with the old one rather than of complete dislodgment of one by the other.

Politically, the inefficiency of government is one of the surest signs of imminent crisis. At least, it appears thus from a *post mortem* point of view. At the same time one of the most striking uniformities in pre-revolutionary regimes is their effort to reform the machinery of government. Perhaps it is for this reason that so much of the work of revolutions appears to later conservative critics as waste: after a revolution the efficiency of government increases, but it seems that in due time everything would have been accomplished without resorting to what Francis Bacon called "sedition and trouble."

The author assumes that when the governing classes hesitate to use force in order to defend themselves, their faith in the legitimacy of their power is shaken. By their weakness and meekness they prepare their own defeat. "The upper-dogs voluntarily turning under-dogs" — this has often been regarded as an indication that "there is about to be a reversal in the position of the dogs."

Lyford P. Edwards, describing the pre-revolutionary climate of opinion, has called attention to the "transfer of the allegiance of the intellectuals." In Brinton's study it is called the "desertion of the intellectuals." Writers, preachers and teachers voice their opinion that "what is, not only ought not, but need not, be." They devalue the corrupt reality of the old regime and contrast it with an "ideal." When, in the reign of terror, the revolution reaches its peak, virtue and asceticism in the name of this ideal become the order of the day. "There is a serious attempt by those in authority to eradicate the minor vices, as well as what some might feel inclined to call the major pleasures." Brinton chooses to call this "the active phase of a religion," a phrase which is as suggestive as it is misleading: the reign of terror and virtue can certainly be understood as an attempt to close the gap between what men are and what they would like to be, but to make the mere intensity of faith, regardless of its direction, the criterion of religion is to misapprehend the nature of religious faith.

The author mentions, but does not investigate in detail, the cumulative "tradition of revolt" which can be detected in the four revolutions under review. It may be suggested that this tradition

resides not only in the increasing awareness of revolutionary techniques but especially in the activities of modern intellectuals. To be more exact, it may be that this tradition consists precisely in a chain of misconceived "ideals" strangely accompanied by the development of scientific "detachment" among its analysts. Brinton says that the uniformities in the four revolutions do not apply to pre-modern revolutions. An investigation of modern revolutionary ideals might contribute substantially to an explanation of this fact. To quote one of the most brilliant formulations of the author, modern revolutions achieve "the necessary miracle of reconciling aspiring men to the substantial failure of their aspirations."

It should not appear from this sketchy review that the author minimizes the work of revolutions. In summarizing the changes they bring about he shows as much circumspection as anywhere else in his book. Sociologists preoccupied with the theory of "cultural lag" will profit from a careful study of this summary. Without the irritation that an unqualified belief in progress would inspire, the author notes the interesting fact that in certain spheres of life, such as family relations, changes are extremely slow while they are rapid and conspicuous in others. In this context he speaks of the balancing of changes — a particularly appropriate phrase.

Like Pareto, Sorel and so many other modern intellectuals, the author writes about violence with a touch of solemnity and inclines toward irony when he comes to comment on beliefs in values. This trait of the modern temper is a puzzling one. It seems to me that we should be cautious in complimenting a writer for this brand of "scientific detachment"; as the term is usually understood "detachment" easily disguises a lack of discernment.

Brinton devotes considerable space to discussing the method which he applies. I do not see that this discussion adds much to the value of the book. Francis Bacon's essay on revolution is worth reading not because he likens revolutions to tempests. Brinton prefers "fever" to "tempest." Thus when you analyze the period preceding the outbreak of a revolution, call this the "diagnosis of the prodromal signs"; say that in the reign of terror the "fever" from which the body politic suffers reaches its "crisis"; when reaction begins call this the "period of convalescence"; reject prediction or "social prognosis" as unscientific — and you have the "conceptual scheme" which the author has adopted. Here and there, in honor of Pareto, an "equilibrium" is "restored." Once, when the first successes of a revolution are called its "honeymoon," there is a concession to the vocabulary of readers

more interested in romance than in medicine. And on page 150 there is first-rate methodological satire: when discussing splits in leadership during the revolution the author calls attention to the fact that each revolution studied has a history of its own: "its stages are not identical in length or in their time sequence." Undoubtedly true.

No exception could be taken to the conceptual vocabulary, used for the sake of convenience, if the image of the fever did not suggest a cyclical course of events—from health to health—which is not strictly noticeable in all revolutions. The metaphor can best be applied to the French Revolution. It does not do so well in the case of the Russian and the American. In fact, throughout his book, Brinton has to remind his readers that the American Revolution was "incomplete." What does the word "incomplete" mean when it is applied to a historical sequence of events? It should be mentioned, however, that the author manages to discuss even methodological matters with brilliance and in good humor.

HANS SPEIER

SAERCHINGER, CÉSAR. *Hello America!—Radio Adventures in Europe*. Boston: Houghton Mifflin. 1938. 393 pp. \$3.50.

Few persons who sit by their radios, tuning in at their pleasure on music, drama, political speeches and news, realize to what an extent they are the object of a worldwide and powerful propaganda machine, by the efficiency of which political frontiers are blurred and a dangerous attack on their country can be launched. The story of international broadcasting, told in this book by the first representative of the Columbia Broadcasting System in Great Britain, unveils the power and the nature of this comparatively new institution that has contributed so much to bringing to one's own fireside not only music, sports events and advertisements, but the voice of every important personality on our globe, even from remote corners of the earth, and an all-pervasive propaganda exploited for the benefit of dictatorships.

The advantages of the radio over even the press are impressed upon the reader. In olden times the human voice was the most powerful instrument for persuading, convincing, hypnotizing—for making history. The printing press destroyed this power; the audience that could be reached by the human voice was small, while newspapers, pamphlets, books could reach the masses. The radio has restored the power of the human voice, and with it the sphere that one man influences, if he is given the opportunity to broadcast. But while the speaker in the assembly hall or the open-air meeting could rely on rhetoric, with

its dramatization of problems and all the gestures which add expression to words, the radio has created the radio voice, crystal-clear, articulate, expressing itself by words alone.

The author maintains that the demagogue loses his power when he speaks over the air. He quotes (p. 88) Bernard Shaw: "The microphone is the most wonderful tell-tale in the world. If you speak insincerely to a political audience, the more insincere you are, the more hopelessly you are away from all the facts of life, the more they cheer you and the more they are delighted. But if you try that on the microphone it gives you away instantly. You hear the political ranter—you hear that his platitudes mean nothing and that he does not believe them." In fact, not Mussolini, or Hitler, or Stalin has ever spoken through a microphone from his own study. They need the cheering crowds, and if it were not for the roaring applause their speeches over the air would not impress the listeners. Lloyd George "hates the wireless" (p. 91) because histrionics are there of no use; and when Doumergue tried to establish a semi-dictatorship by addressing the populace over the air "the honeyed words and the silken voice lost their appeal." Thus the radio, to which everyone can listen in the seclusion of his home, free of the atmosphere of a mass meeting, is, or could be, according to the author, a weapon of democracy.

But there are examples to the contrary (such as Father Coughlin) and the author himself makes us acquainted with the extent to which dictatorship has seized upon radio propaganda which can cloak itself in a seemingly objective argument. The dictatorial countries have erected the most powerful short-wave stations. Germany, for instance, has eight transmitters on her "empire station." The Russian, Italian and German stations are polyglot; the Italians broadcast not only in English, Spanish and Portuguese, but also in Arabic, Chinese, Japanese and Hindustani—evidently for no other reason than to provide the Asiatic peoples with unbiased news. The French, on the other hand, broadcast only in languages which are spoken in their colonies.

This book was written before the events in the fall of 1938 brought it home to everyone that the radio's powers of good and evil are multiplied many times by its ability to bring vital issues to many hundred millions throughout the world at the very moment when these issues mature to fateful decisions; momentous events were enacted before the public, making the newspapers obsolete before they could be printed. The stories reported by Saerchinger show how this whole machinery of broadcasting has been built up; he has been in the unusual position of being able to observe many world figures as they

have revealed themselves before the microphone, and he makes no secret of these revelations. But the book's main interest for most readers will be the opportunity it gives them to visualize the wide range over which the radio operates, and to have a look behind the curtain where history is presented to a public which is at once the instrument that the artful players use and the power which directs them. This book may be regarded as source material for an analysis of the interrelation between world politics and public opinion.

EMIL LEDERER

REICH, NATHAN. *Labour Relations in Republican Germany. An Experiment in Industrial Democracy, 1918-1933*. New York: Oxford University Press. 1938. 293 pp. \$3.

There are but few studies in English on collective institutions and labor relations in the German republic between 1918 and 1933. Dr. Reich therefore meets a need in giving a scholarly account of an essential part of the legal relations concerning especially collective bargaining, arbitration, works councils and labor courts. His interpretation is reliable, and it includes some of the principal moot points. Sources are used carefully, though the author overrates the significance of the Supreme Labor Court's decisions which, unlike the situation in Anglo-Saxon law, were not binding except in the particular case.

The study is not a full description of German experience with industrial democracy, not a treatment of the whole complex of employer-employee relationships — which would have required a more comprehensive elaboration of the employer's point of view — but an interpretation of the effects of German labor law on the relations between employer and employee. The author's own judgment is cautious and well balanced, and shows an understanding of the social problems of the period. As similar problems have come up in the United States the book will be of great interest also for all who are concerned with the American labor scene.

FRIEDA WUNDERLICH

HARRINGTON, MILTON. *A Biological Approach to the Problem of Abnormal Behavior*. Lancaster: Science Press. 1938. 459 pp. \$4.

It is to be regretted that this conscientious and diligent effort at a formulation of a biologic-mechanistic basis of abnormal behavior is conditioned to such a large extent by the author's deep-rooted anti-Freudian bias, an attitude which is fully reflected in his previous book, *Wish Hunting in the Unconscious*. It is regrettable because in the

final analysis, and notwithstanding Harrington's introductory sentence that this book presents a new approach to the problem of abnormal behavior, the effort illustrates again the confusion arising from the tyranny of words.

On page 295 the author declares, "In short, there are according to our theory, four factors in the production of abnormal behavior—defective heredity, somatic disease, wrong education and the stimuli afforded by difficult or trying situations." How anyone acquainted with psychoanalytic literature, as Dr. Harrington undoubtedly is, could fail to know that the same etiologic categories are accepted by psychoanalysts is difficult to understand. To be sure, these categories have a radically different meaning and content for him from what they must inevitably have for anyone who, unlike him, accepts the validity of the concepts of instinct, consciousness and motive in human conduct, normal or abnormal. These concepts are rejected in entirety by Dr. Harrington; his bio-mechanistic approach requires none of this nonsense for the understanding and guidance of human

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conduct. It is not difficult to understand this attitude when one notes in the introduction to this volume that the two terms "mechanistic" and "biological" are, from the author's point of view, practically synonymous. Anyone who is satisfied with such a restricted, purely mechanistic conception of biology need have no difficulty in following Dr. Harrington's view of the matter and will find in this book a comprehensive and conscientious statement of the subject, albeit not as full of novelty as its author would have us believe. Surely Dr. Harrington is fully acquainted with the history of the rise and fall of "behaviorism," with its denial of consciousness as a factor in human biology.

Thus one may be ready and glad to praise this book as a competent statement of the mechanistic point of view in psychology and psychiatry; it is not necessary to undertake anew the task of refuting that position.

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